

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

SEP 21 2004

In the Matter of:

PUBLIC SERVICE  
COMMISSION

APPLICATION OF BOONE COUNTY )  
WATER DISTRICT FOR APPROVAL )  
TO REFINANCE REVENUE BONDS )  
THROUGH THE ISSUANCE OF )  
REFUNDING REVENUE BONDS )  
IN THE APPROXIMATE AMOUNT OF )  
APPROXIMATELY \$1,975,000 )

CASE NO. 2004-00370

FILED

SEP 21 2004

PUBLIC SERVICE  
COMMISSION

PETITION

Boone County Water District ("BCWD"), by counsel, petitions the Commission for an order authorizing the refinancing of bonds. The following information is filed in accordance with the Commission's regulations:

1. Its office address is 2475 Burlington Pike, P.O. Box 18, Burlington, Kentucky 41005. Its principal officers are listed in its current Annual Report on page 1, which is filed with the Commission as are its prior years Reports;
2. BCWD is a governmental water district organized under Chapter 74 and has no separate articles of incorporation;
3. A description of BCWD's water system and its property stated at original cost by accounts is contained in its Annual Report, which is incorporated by reference and referred to as Exhibit 2;
4. It serves retail customers in Boone County;
5. It proposes to refinance the all of its Water District Refunding and Revenue Bonds, dated December 1, 1993, having a current outstanding amount of \$1,890,000;
6. The refinancing of these bonds is expected to save approximately \$114,000 in interest costs, which produces a net present value savings of approximately \$94,000, depending on market conditions and method of refinancing;

7. The Plan of Refinancing detailing the savings to the District is attached as Exhibit 1;
8. No rate adjustment is being proposed;
9. The following information is provided in response to 807 KAR 5:001 (8):
  - a. Articles of Incorporation - None, BCWD is a statutorily created water district under KRS Chapter 74;
10. The following information is supplied pursuant to 807 KAR 5:001(9):
  - a. Facts relied upon to show that the application is in the public interest: See the Plan of Refinancing in Exhibit 1;
11. The following information is provided as required by 807 KAR 5:001 (11):
  - a. A general description of the property is contained in the Annual Report, Exhibit 2;
  - b. No stock is to be issued. Bonds to be refinanced and terms are described in Exhibit 1;
  - c. The refunding of bonds and refinancing is described in Exhibit 1;
  - d. The proceeds of the refinancing are to refinance existing bonds to achieve a net savings of interest over the remaining life of the bonds;
  - e. The par value, expenses, use of proceeds, interest rates and other information is contained in Exhibit 1;
12. The following exhibits are provided pursuant to 807 KAR 5:001 (11)(2):
  - b. There are no trust deeds. All notes, indebtedness and mortgages are included in Exhibit 2, and updated in Exhibit 3;
  - c. No property is to be acquired.
13. The following information is provided pursuant to 807 KAR 5:001(6):
  - a. No stock is authorized;

**RECEIVED**

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**EXHIBITS TO PETITION BEFORE PUBLIC SERVICE COMMISSION** SEP 21 2004

**BOONE COUNTY WATER DISTRICT**

*APPLICATION OF BOONE COUNTY WATER DISTRICT TO  
REFINANCE REVENUE BONDS THROUGH THE ISSUANCE  
OF REFUNDING REVENUE BONDS IN THE APPROXIMATE  
PRINCIPAL AMOUNT OF \$1,975,000*

**PUBLIC SERVICE  
COMMISSION**

**Filed September 20, 2004**

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EXHIBIT 1	Plan of Refinancing
EXHIBIT 2	Annual Report of District
EXHIBIT 3	Composite Debt Service Table
EXHIBIT 4	Balance Sheet and Income Statement

# Plan of Financing

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## Boone County Water District Refunding Revenue Bonds, Series 2004

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**BOONE COUNTY WATER DISTRICT - PROJECTED INTEREST COSTS SAVINGS (93 SERIES BONDS)**

Payment Date	----- CURRENT PAYMENTS -----				----- PROJECTED PAYMENTS -----				Net Interest Savings
	Interest Rate	Principal Pmt	Interest Pmt	Total Pmt	Interest Rate	Principal Pmt	Interest Pmt	Total Pmt	
01-Apr-05			\$46,988	\$303,975			\$24,255	\$288,361	\$15,614
01-Oct-05	4.75%	\$210,000	\$46,988	\$304,000	2.00%	\$235,000	\$29,106	\$293,513	\$10,488
01-Apr-06			\$42,000	\$308,000			\$24,356	\$298,713	\$9,288
01-Oct-06	5.00%	\$220,000	\$42,000	\$146,250	2.00%	\$240,000	\$26,756	\$138,463	\$7,788
01-Apr-07			\$36,500	\$147,000			\$20,544	\$141,088	\$5,913
01-Oct-07	5.00%	\$235,000	\$36,500	\$147,500	2.10%	\$250,000	\$24,356	\$138,288	\$9,213
01-Apr-08			\$30,625	\$147,750			\$17,644	\$140,288	\$7,463
01-Oct-08	5.00%	\$85,000	\$30,625	\$147,750	2.50%	\$95,000	\$17,644	\$141,875	\$5,875
01-Apr-09			\$28,500	\$152,500			\$15,938	\$143,135	\$9,365
01-Oct-09	5.00%	\$90,000	\$28,500	\$152,500	2.80%	\$100,000	\$15,938	\$139,110	\$7,640
01-Apr-10			\$26,250	\$146,750			\$12,055	\$139,913	\$6,088
01-Oct-10	5.00%	\$95,000	\$26,250	\$146,750	3.00%	\$100,000	\$9,956	\$140,413	\$4,588
01-Apr-11			\$23,875	\$148,750			\$7,706	\$140,600	\$8,150
01-Oct-11	5.00%	\$100,000	\$23,875	\$148,750	3.25%	\$105,000	\$7,706	\$140,400	\$6,600
01-Apr-12			\$21,375	\$152,500			\$9,956	\$139,913	\$6,088
01-Oct-12	5.00%	\$105,000	\$21,375	\$152,500	3.40%	\$110,000	\$9,956	\$140,413	\$4,588
01-Apr-13			\$18,750	\$146,750			\$7,706	\$140,413	\$8,150
01-Oct-13	5.00%	\$115,000	\$18,750	\$146,750	3.50%	\$115,000	\$5,300	\$140,600	\$8,150
01-Apr-14			\$15,875	\$146,750			\$2,700	\$140,400	\$6,600
01-Oct-14	5.00%	\$115,000	\$15,875	\$146,750	3.65%	\$115,000	\$2,700	\$140,400	\$6,600
01-Apr-15			\$13,000	\$145,000			\$7,706	\$140,413	\$8,150
01-Oct-15	5.00%	\$120,000	\$13,000	\$145,000	3.75%	\$120,000	\$7,706	\$140,413	\$8,150
01-Apr-16			\$10,000	\$145,000			\$5,300	\$140,600	\$8,150
01-Oct-16	5.00%	\$125,000	\$10,000	\$145,000	3.85%	\$125,000	\$5,300	\$140,600	\$8,150
01-Apr-17			\$6,875	\$147,000			\$2,700	\$140,400	\$6,600
01-Oct-17	5.00%	\$135,000	\$6,875	\$147,000	4.00%	\$130,000	\$2,700	\$140,400	\$6,600
01-Apr-18			\$3,500	\$147,000			\$2,700	\$140,400	\$6,600
01-Oct-18	5.00%	\$140,000	\$3,500	\$147,000	4.00%	\$135,000	\$2,700	\$140,400	\$6,600
01-Apr-19									
<b>TOTALS:</b>		\$1,890,000	\$648,225	\$2,538,225		\$1,975,000	\$449,156	\$2,424,156	\$114,068

Gross Savings:	\$114,068
NPV Savings:	\$93,641
Savings as % of Prior Par:	4.95%

Boone County Water & Sewer District (Kentucky) Water System  
 Refunding and Revenue Bonds, 1993 Series A

=====  
 Debt Service Schedule  
 =====

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
4/ 1/ 5			46,987.50	46,987.50	
10/ 1/ 5	210,000.00	4.750000	46,987.50	256,987.50	303,975.00
4/ 1/ 6			42,000.00	42,000.00	
10/ 1/ 6	220,000.00	5.000000	42,000.00	262,000.00	304,000.00
4/ 1/ 7			36,500.00	36,500.00	
10/ 1/ 7	235,000.00	5.000000	36,500.00	271,500.00	308,000.00
4/ 1/ 8			30,625.00	30,625.00	
10/ 1/ 8	85,000.00	5.000000	30,625.00	115,625.00	146,250.00
4/ 1/ 9			28,500.00	28,500.00	
10/ 1/ 9	90,000.00	5.000000	28,500.00	118,500.00	147,000.00
4/ 1/10			26,250.00	26,250.00	
10/ 1/10	95,000.00	5.000000	26,250.00	121,250.00	147,500.00
4/ 1/11			23,875.00	23,875.00	
10/ 1/11	100,000.00	5.000000	23,875.00	123,875.00	147,750.00
4/ 1/12			21,375.00	21,375.00	
10/ 1/12	105,000.00	5.000000	21,375.00	126,375.00	147,750.00
4/ 1/13			18,750.00	18,750.00	
10/ 1/13	115,000.00	5.000000	18,750.00	133,750.00	152,500.00
4/ 1/14			15,875.00	15,875.00	
10/ 1/14	115,000.00	5.000000	15,875.00	130,875.00	146,750.00
4/ 1/15			13,000.00	13,000.00	
10/ 1/15	120,000.00	5.000000	13,000.00	133,000.00	146,000.00
4/ 1/16			10,000.00	10,000.00	
10/ 1/16	125,000.00	5.000000	10,000.00	135,000.00	145,000.00
4/ 1/17			6,875.00	6,875.00	
10/ 1/17	135,000.00	5.000000	6,875.00	141,875.00	148,750.00
4/ 1/18			3,500.00	3,500.00	
10/ 1/18	140,000.00	5.000000	3,500.00	143,500.00	147,000.00
	1,890,000.00		648,225.00	2,538,225.00	
ACCRUED					
	1,890,000.00		648,225.00	2,538,225.00	

Ross Sinclair - T. Ross

Date: 08-13-2004 @ 09:29:56      Filename: BOONE      Key: BCMD-93

Boone County Water & Sewer District (Kentucky) Water System  
Refunding and Revenue Bonds, 1993 Series A

=====  
Debt Service Schedule  
=====

Dated 10/ 1/ 4 with Delivery of 10/ 1/ 4  
Bond Years 12,975.000  
Average Coupon 4.995954  
Average Life 6.865079  
M I C % 4.995954 % Using 100.0000000  
T I C % 4.995061 % From Delivery Date  
Arbitrage Yield 4.995061 %

Ross Sinclair - T. Ross

Date: 08-13-2004 @ 09:29:56 Filename: BOONE Key: BCWD-93

Boone County Water & Sewer District (Kentucky) Water System  
 Refunding and Revenue Bonds, 1993 Series A

=====  
 Debt Service and Call Report  
 =====

Date	Original Principal	Coupon	Original Interest	Original Debt Service	Principal To Escrow	Call Premium	Interest To Escrow	Debt Service To Escrow
11/ 1/ 4			46,987.50	46,987.50	1,890,000.00	18,900.00	7,831.25	1,916,731.25
4/ 1/ 5	210,000.00	4.750000	46,987.50	256,987.50				
10/ 1/ 5			42,000.00	42,000.00				
4/ 1/ 6	220,000.00	5.000000	42,000.00	262,000.00				
10/ 1/ 6			36,500.00	36,500.00				
4/ 1/ 7	235,000.00	5.000000	36,500.00	271,500.00				
10/ 1/ 7			30,625.00	30,625.00				
4/ 1/ 8	85,000.00	5.000000	30,625.00	115,625.00				
10/ 1/ 8			28,500.00	28,500.00				
4/ 1/ 9	90,000.00	5.000000	28,500.00	118,500.00				
10/ 1/ 9			26,250.00	26,250.00				
4/ 1/10	95,000.00	5.000000	26,250.00	121,250.00				
10/ 1/10			23,875.00	23,875.00				
4/ 1/11	100,000.00	5.000000	23,875.00	123,875.00				
10/ 1/11			21,375.00	21,375.00				
4/ 1/12	105,000.00	5.000000	21,375.00	126,375.00				
10/ 1/12			18,750.00	18,750.00				
4/ 1/13	115,000.00	5.000000	18,750.00	133,750.00				
10/ 1/13			15,875.00	15,875.00				
4/ 1/14	115,000.00	5.000000	15,875.00	130,875.00				
10/ 1/14			13,000.00	13,000.00				
4/ 1/15	120,000.00	5.000000	13,000.00	133,000.00				
10/ 1/15			10,000.00	10,000.00				
4/ 1/16	125,000.00	5.000000	10,000.00	135,000.00				
10/ 1/16			6,875.00	6,875.00				
4/ 1/17	135,000.00	5.000000	6,875.00	141,875.00				
10/ 1/17			3,500.00	3,500.00				
4/ 1/18	140,000.00	5.000000	3,500.00	143,500.00				
10/ 1/18								
	1,890,000.00		648,225.00	2,538,225.00	1,890,000.00	18,900.00	7,831.25	1,916,731.25

Dated 10/ 1/ 4 with Delivery of 10/ 1/ 4  
 Bond Years 12,975,000  
 Average Coupon 4.995954  
 Average Life 6.865079

Ross Sinclair - T. Ross

Date: 08-13-2004 at 09:29:59 Filename: BOONE Key: BCWD-93

Boone County Water & Sewer District (Kentucky) Water System  
 Refunding and Revenue Bonds, 1993 Series A

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 Calls Performed  
 =====

Call No.	Call Date	First Maturity Called	Last Maturity Called	Principal Called	Call Price	Call Premium
1)	11/ 1/ 4	10/ 1/ 5	10/ 1/18	1,890,000.00	101.000	18,900.00
				1,890,000.00		18,900.00

Ross Sinclair - T. Ross

Date: 08-13-2004 @ 09:29:59      Filename: BOONE      Key: BCND-93

Boone County Water District (Kentucky) Water System Revenue  
 System Refunding Bonds, Series 2004

Projected

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 Sources and Uses of Funds  
 =====  
 Delivery Date: 11/ 1/ 4

Sources of Funds  
 =====

Par Amount of Bonds.....	\$1,975,000.00	
+Premium /-Discount.....	\$0.00	
Bond Proceeds.....		1,975,000.00
		-----
		\$1,975,000.00

Uses of Funds  
 =====

Principal Pay-off.....		1,890,000.00
Call Premium.....		18,900.00
Cost of Issuance.....( 1.250000%)...		24,687.50
Interest to Pay-off date.....		7,831.25
Underwriters Discount.....( 1.500000%)...		29,625.00
Contingency.....		3,956.25
		-----
		\$1,975,000.00

Ross Sinclair - T. Ross

Date: 08-13-2004 @ 09:30:11      Filename: BOONE      Key: BCWD-REF

Boone County Water District (Kentucky) Water System Revenue  
 System Refunding Bonds, Series 2004  
 Projected

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 Debt Service Schedule  
 =====

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
4/ 1/ 5			24,255.21	24,255.21	
10/ 1/ 5	235,000.00	2.000000	29,106.25	264,106.25	288,361.46
4/ 1/ 6			26,756.25	26,756.25	
10/ 1/ 6	240,000.00	2.000000	26,756.25	266,756.25	293,512.50
4/ 1/ 7			24,356.25	24,356.25	
10/ 1/ 7	250,000.00	2.100000	24,356.25	274,356.25	298,712.50
4/ 1/ 8			21,731.25	21,731.25	
10/ 1/ 8	95,000.00	2.500000	21,731.25	116,731.25	138,462.50
4/ 1/ 9			20,543.75	20,543.75	
10/ 1/ 9	100,000.00	2.800000	20,543.75	120,543.75	141,087.50
4/ 1/10			19,143.75	19,143.75	
10/ 1/10	100,000.00	3.000000	19,143.75	119,143.75	138,287.50
4/ 1/11			17,643.75	17,643.75	
10/ 1/11	105,000.00	3.250000	17,643.75	122,643.75	140,287.50
4/ 1/12			15,937.50	15,937.50	
10/ 1/12	110,000.00	3.400000	15,937.50	125,937.50	141,875.00
4/ 1/13			14,067.50	14,067.50	
10/ 1/13	115,000.00	3.500000	14,067.50	129,067.50	143,135.00
4/ 1/14			12,055.00	12,055.00	
10/ 1/14	115,000.00	3.650000	12,055.00	127,055.00	139,110.00
4/ 1/15			9,956.25	9,956.25	
10/ 1/15	120,000.00	3.750000	9,956.25	129,956.25	139,912.50
4/ 1/16			7,706.25	7,706.25	
10/ 1/16	125,000.00	3.850000	7,706.25	132,706.25	140,412.50
4/ 1/17			5,300.00	5,300.00	
10/ 1/17	130,000.00	4.000000	5,300.00	135,300.00	140,600.00
4/ 1/18			2,700.00	2,700.00	
10/ 1/18	135,000.00	4.000000	2,700.00	137,700.00	140,400.00
ACCRUED	1,975,000.00		449,156.46	2,424,156.46	
	1,975,000.00		449,156.46	2,424,156.46	

Ross Sinclair - T. Ross

Date: 08-13-2004 @ 10:01:32      Filename: BOONE      Key: BCWD-REF

Boone County Water District (Kentucky) Water System Revenue  
System Refunding Bonds, Series 2004

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Projected  
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Debt Service Schedule  
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Dated 11/ 1/ 4 with Delivery of 11/ 1/ 4  
Bond Years 12,980.417  
Average Coupon 3.460262  
Average Life 6.572363  
N I C % 3.688491 % Using 98.5000000  
T I C % 3.692549 % From Delivery Date  
Arbitrage Yield 3.423608 %

Ross Sinclair - T. Ross

Date: 08-13-2004 @ 10:01:32 Filename: BOONE Key: BCWD-REF

Boone County Water District (Kentucky) Water System Revenue  
 System Refunding Bonds, Series 2004

Projected  
 Savings Report

Date	Principal	Proposed Debt Coupon	Debt Service Interest	Total	Prior Debt Service	Savings	Cumulative Savings
12/31/ 4							
4/ 1/ 5	235,000.00	2.000000	24,255.21	288,361.46	303,975.00	15,613.54	15,613.54
10/ 1/ 5			29,106.25				
4/ 1/ 6	240,000.00	2.000000	26,756.25	293,512.50	304,000.00	10,487.50	26,101.04
10/ 1/ 6			26,756.25				
4/ 1/ 7	250,000.00	2.100000	24,356.25	298,712.50	308,000.00	9,287.50	35,388.54
10/ 1/ 7			24,356.25				
4/ 1/ 8	95,000.00	2.500000	21,731.25	138,462.50	146,250.00	7,787.50	43,176.04
10/ 1/ 8			21,731.25				
4/ 1/ 9	100,000.00	2.800000	20,543.75	141,087.50	147,000.00	5,912.50	49,088.54
10/ 1/ 9			20,543.75				
4/ 1/10	100,000.00	3.000000	19,143.75	138,287.50	147,500.00	9,212.50	58,301.04
10/ 1/10			19,143.75				
4/ 1/11	105,000.00	3.250000	17,643.75	140,287.50	147,750.00	7,462.50	65,763.54
10/ 1/11			17,643.75				
4/ 1/12	110,000.00	3.400000	15,937.50	141,875.00	147,750.00	5,875.00	71,638.54
10/ 1/12			15,937.50				
4/ 1/13	115,000.00	3.500000	14,067.50	143,135.00	152,500.00	9,365.00	81,003.54
10/ 1/13			14,067.50				
4/ 1/14	115,000.00	3.650000	12,055.00	139,110.00	146,750.00	7,640.00	88,643.54
10/ 1/14			12,055.00				
4/ 1/15	120,000.00	3.750000	9,956.25	139,912.50	146,000.00	6,087.50	94,731.04
10/ 1/15			9,956.25				
4/ 1/16	125,000.00	3.850000	7,706.25	140,412.50	145,000.00	4,587.50	99,318.54
10/ 1/16			7,706.25				
4/ 1/17	130,000.00	4.000000	5,300.00	140,600.00	148,750.00	8,150.00	107,468.54
10/ 1/17			5,300.00				
4/ 1/18	135,000.00	4.000000	2,700.00	140,400.00	147,000.00	6,600.00	114,068.54
10/ 1/18			2,700.00				
ACCRUED	1,975,000.00		449,156.46	2,424,156.46	2,538,225.00		114,068.54
	1,975,000.00		449,156.46	2,424,156.46	2,538,225.00		114,068.54

Ross Sinclair - T. Ross

Date: 08-13-2004 @ 10:01:56 Filename: BOONE Key: BCMD-REF

Boone County Water District (Kentucky) Water System Revenue  
System Refunding Bonds, Series 2004

Projected  
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Savings Report  
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Dated 11/ 1/ 4 with Delivery of 11/ 1/ 4  
Bond Years 12,980.417  
Average Coupon 3.460262  
Average Life 6.572363  
N I C % 3.688491 % Using 98.5000000  
T I C % 3.692549 % From Delivery Date  
Arbitrage Yield 3.423608 %  
  
Net Present Value Savings at: 3.4236% Equals 93,641.67 or 4.7414% of Par of the Current Issue  
or 4.9546% of Par of the Prior Issue

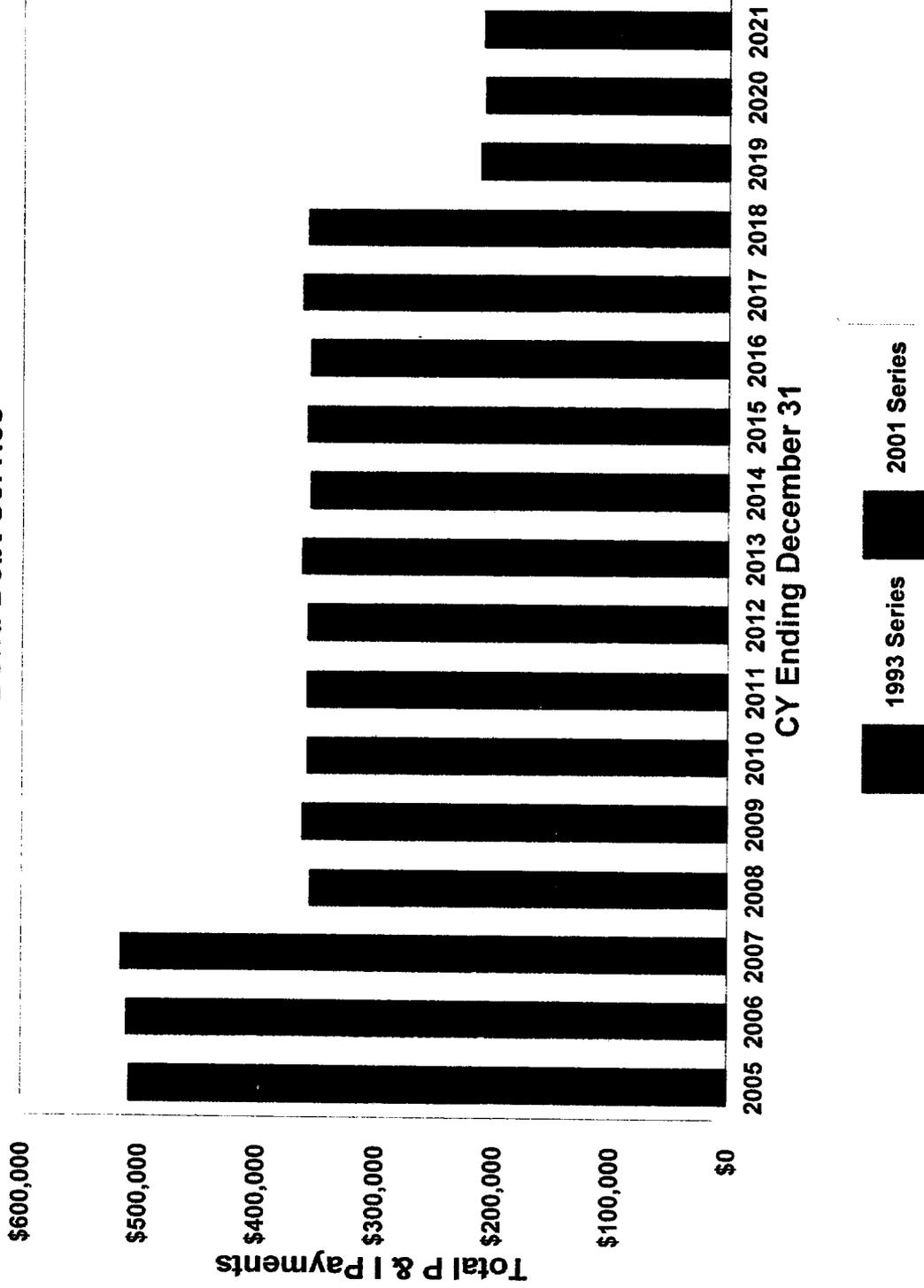
Ross Sinclair - T. Ross

Date: 08-13-2004 @ 10:01:56 Filename: BOONE Key: BOND-REF

**BOONE COUNTY WATER DISTRICT - TOTAL CURRENT BOND DEBT SERVICE**

----- 1993 SERIES BONDS -----										----- 2001 SERIES BONDS -----									
Payment Date	Interest Rate	Principal Pmt	Interest Pmt	Total Pmt	Interest Rate	Principal Pmt	Interest Pmt	Total Pmt	Total Current Bond Pmts	Payment Date	Interest Rate	Principal Pmt	Interest Pmt	Total Pmt	Total Current Bond Pmts				
01-Apr-05			\$46,988				\$51,991		\$51,991	01-Apr-05			\$51,991		\$507,958				
01-Oct-05	4.75%	\$210,000	\$46,988	\$303,975	3.00%	\$100,000	\$51,991	\$203,983		01-Oct-05			\$50,491		\$509,983				
01-Apr-06			\$42,000				\$50,491		\$50,491	01-Apr-06			\$48,759		\$515,518				
01-Oct-06	5.00%	\$220,000	\$42,000	\$304,000	3.30%	\$105,000	\$48,759	\$205,983		01-Oct-06			\$46,834		\$354,918				
01-Apr-07			\$36,500				\$48,759		\$48,759	01-Apr-07			\$44,706		\$361,413				
01-Oct-07	5.00%	\$235,000	\$36,500	\$308,000	3.50%	\$110,000	\$46,834	\$207,518		01-Oct-07			\$44,706		\$357,163				
01-Apr-08			\$30,625				\$46,834		\$46,834	01-Apr-08			\$42,331		\$357,538				
01-Oct-08	5.00%	\$85,000	\$30,625	\$146,250	3.70%	\$115,000	\$44,706	\$208,668		01-Oct-08			\$39,894		\$357,338				
01-Apr-09			\$28,500				\$44,706		\$44,706	01-Apr-09			\$37,294		\$361,688				
01-Oct-09	5.00%	\$90,000	\$28,500	\$147,000	3.80%	\$125,000	\$42,331	\$214,413		01-Oct-09			\$34,594		\$355,198				
01-Apr-10			\$26,250				\$42,331		\$42,331	01-Apr-10			\$31,724		\$358,285				
01-Oct-10	5.00%	\$95,000	\$26,250	\$147,500	3.90%	\$125,000	\$39,894	\$209,663		01-Oct-10			\$28,643		\$355,465				
01-Apr-11			\$23,875				\$39,894		\$39,894	01-Apr-11			\$25,233		\$362,015				
01-Oct-11	5.00%	\$100,000	\$23,875	\$147,750	4.00%	\$130,000	\$37,294	\$209,788		01-Oct-11			\$21,633		\$357,445				
01-Apr-12			\$21,375				\$37,294		\$37,294	01-Apr-12			\$17,723		\$212,220				
01-Oct-12	5.00%	\$105,000	\$21,375	\$147,750	4.00%	\$135,000	\$37,294	\$209,588		01-Oct-12			\$13,610		\$208,525				
01-Apr-13			\$18,750				\$34,594		\$34,594	01-Apr-13			\$9,263		\$209,500				
01-Oct-13	5.00%	\$115,000	\$18,750	\$152,500	4.10%	\$140,000	\$34,594	\$209,188		01-Oct-13			\$4,750		\$209,500				
01-Apr-14			\$15,875				\$31,724		\$31,724	01-Apr-14			\$4,750		\$209,500				
01-Oct-14	5.00%	\$115,000	\$15,875	\$146,750	4.25%	\$145,000	\$31,724	\$208,448		01-Oct-14			\$4,750		\$209,500				
01-Apr-15			\$13,000				\$28,643		\$28,643	01-Apr-15			\$4,750		\$209,500				
01-Oct-15	5.00%	\$120,000	\$13,000	\$146,000	4.40%	\$155,000	\$28,643	\$212,285		01-Oct-15			\$4,750		\$209,500				
01-Apr-16			\$10,000				\$25,233		\$25,233	01-Apr-16			\$4,750		\$209,500				
01-Oct-16	5.00%	\$125,000	\$10,000	\$145,000	4.50%	\$160,000	\$25,233	\$210,465		01-Oct-16			\$4,750		\$209,500				
01-Apr-17			\$6,875				\$21,633		\$21,633	01-Apr-17			\$4,750		\$209,500				
01-Oct-17	5.00%	\$135,000	\$6,875	\$148,750	4.60%	\$170,000	\$21,633	\$213,265		01-Oct-17			\$4,750		\$209,500				
01-Apr-18			\$3,500				\$17,723		\$17,723	01-Apr-18			\$4,750		\$209,500				
01-Oct-18	5.00%	\$140,000	\$3,500	\$147,000	4.70%	\$175,000	\$17,723	\$210,445		01-Oct-18			\$4,750		\$209,500				
01-Apr-19			\$3,500				\$13,610		\$13,610	01-Apr-19			\$4,750		\$209,500				
01-Oct-19	5.00%	\$140,000	\$3,500	\$147,000	4.70%	\$185,000	\$13,610	\$212,220		01-Oct-19			\$4,750		\$209,500				
01-Apr-20			\$3,500				\$9,263		\$9,263	01-Apr-20			\$4,750		\$209,500				
01-Oct-20	5.00%	\$190,000	\$3,500	\$190,000	4.75%	\$190,000	\$9,263	\$208,525		01-Oct-20			\$4,750		\$209,500				
01-Apr-21			\$4,750				\$4,750		\$4,750	01-Apr-21			\$4,750		\$209,500				
01-Oct-21	4.75%	\$200,000	\$4,750	\$209,500	4.75%	\$200,000	\$4,750	\$209,500		01-Oct-21			\$4,750		\$209,500				
TOTALS:		\$1,890,000	\$648,225	\$2,538,225		\$2,465,000	\$1,098,940	\$3,563,940		TOTALS:		\$1,890,000	\$648,225	\$2,538,225	\$6,102,165				

**Boone County Water  
Bond Debt Service**



**KENTUCKY PUBLIC SERVICE COMMISSION**  
**REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY**  
**BUSINESS FOR THE YEAR ENDING DECEMBER 31, 20 03**

**BOONE COUNTY WATER DISTRICT 2475 BURLINGTON PIKE, BURLINGTON, KY 41005**

(Utility Reporting)

(Address)

**(DO NOT INCLUDE TAXES COLLECTED)**

(1) Gross Revenues of Electric Utility.....\$ \_\_\_\_\_

(2) Gross Revenues of Gas Utility.....\$ \_\_\_\_\_

(3) Gross Revenues of Water Utility.....\$ 8,297,144

(4) Gross Revenues of Sewer Utility.....\$ \_\_\_\_\_

(5) Other Operating Revenues.....\$ \_\_\_\_\_

**\*\*\* TOTAL GROSS REVENUES.....\$ 8,297,144**

OATH

State of KENTUCKY )  
County of BOONE ) ss.

RONALD CRUME being duly sworn, states that he/she is  
(Officer)

CHAIRMAN of the BOONE COUNTY WATER DISTRICT that the above  
( Official Title) (Utility Reporting)

report of gross revenues is in exact accordance with BOONE COUNTY WATER DISTRICT, and that such  
(Utility Reporting)

books accurately show the gross revenues of: BOONE COUNTY WATER DISTRICT, derived from  
(Utility Reporting)

Intra-Kentucky business for the calendar year ending December 31, 20 03.

\_\_\_\_\_  
(Officer) (Title)

This the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
(Notary Public) (County) (Commission Expires)

**NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS REVENUES SHOWN IN THE ANNUAL REPORT AND THE AMOUNT APPEARING ON THIS STATEMENT MUST BE RECONCILED ON THE REVERSE OF THIS REPORT.**

Boone County Water & Sewer District 01/01/2003

Title Page

Water Utility/Association	Year	City/Town	County	State	Year
Annual Report of Respondent		BURKINGTON PIKE	BOONE COUNTY WAVERLY DISTRICT	KY	2003



Boone County Water & Sewer District 01/01/2003

Services Performed by Independent CPA

Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	Y	
If Yes, which services were performed?		
Enter an X on each appropriate line		
Audit		
Compilation		
Review		

Boone County Water & Sewer District 01/01/2003

Additional Requested Information

Name, Office and Web Address	URL	E-MAIL ADDRESS
Boone County Water District	BOONE COUNTY WATER DISTRICT	
Contact Name and Email Address	PHILIP TORZOP	BOONEWATER@BOONEWATER.COM
		BOONEWATER.COM



Boone County Water & Sewer District 01/01/2003

Major Water Projects

Provide details about each major water project which has planned bid items not yet been submitted for approval to the Public Service Commission.	
For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and will increase your current utility plant by at least 20 percent.	
Brief Project Description: (improvement, replacement, building construction, expansion, or expansion, provide the estimated number of new customers)	
Projected costs and funding sources/amounts	
Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)	
Location: (community area or nearby roads)	

History-Legal Name (Ref Page: 4)

Exact name of utility making this report (Use the words "The", "Company" or "Incorporated" only when part of the corporate name)	
	BOONE COUNTY WATER DISTRICT

Boone County Water & Sewer District 01/01/2003

History-Location (Ref Page: 4)

Category	Location	City	State	Phone Number
Location where books are located	BOONE COUNTY WATER DISTRICT 24 1/2 BURLINGTON PIKE	BURLINGTON	KY	586-6155
Location where books are located	MORRIS W. PRESSLER, INC. ATTN: DIANNE PRESSLER	BLOOMING	KY	582-6606
Location where books are located	BOONE COUNTY WATER DISTRICT 24 1/2 BURLINGTON PIKE	BURLINGTON	KY	

Boone County Water & Sewer District 01/01/2003

History-Date Organized (Ref Page: 4)

Year	Date Organized
	01/01/01

History-Laws of Organization (Ref Page: 4)

Date	Description
	Date and Authority for each consolidation and each merger. Give reference to charters or general laws governing each and all amendments of same. If consolidation or merger company name all combined and all merged companies.

Boone County Water & Sewer District 01/01/2003

History-Departments (Ref Page: 4)

State whether independent, separate, or part of association	Name all operating departments other than water
WATER DISTRICT	

History - Counties (Ref Page: 5)

County	Year
Boone	

Boone County Water & Sewer District 01/01/2003

Contacts (Ref Page: 6)

Personnel	Position	Department	Address	City	State	Zip	Phone	Fax	Contract
Person to send correspondence	BRESSLER	DIANNE	P.O. BOX 545 FLORENCE, KY 41022	FLORENCE, KY	41022				
Person who prepared this report	BRESSLER	DIANNE	P.O. BOX 545 FLORENCE, KY 41022	FLORENCE, KY	41022				
Officers and Managers	CHAIRPERSON	RONALD	FLORENCE, KY 41022	FLORENCE, KY	41022	\$6,000.00	12/31/2005		
	TREASURER	ERNE	BURLINGTON, KY 41005	BURLINGTON, KY	41005	\$9,000.00	12/31/2007		
	SECRETARY	ERNIE	BURLINGTON, KY 41005	BURLINGTON, KY	41005		12/31/2007		
	COMMISSIONER	ALEXANDER, JR	WALTON, KY	WALTON, KY		\$4,500.00	12/31/2006		
	COMMISSIONER	CAYN	FLORENCE, KY 41042	FLORENCE, KY	41042	\$6,000.00	12/31/2007		
	COMMISSIONER	SMITH	HEBRON, KY	HEBRON, KY		\$8,000.00	12/31/2005		
	GENERAL MANAGER	TRZOP	WALTON, KY	WALTON, KY		\$65,575.00			

Boone County Water & Sewer District 01/01/2003  
 Balance Sheet - Assets and Other Debits (Ref Page: 7)

UTILITY PLANT			
Utility Plant (101-106)	\$58,430,265.00		\$59,831,976.00
Less: Accumulated Depreciation and Amortization (108-110)	\$9,111,051.00		\$10,333,077.00
Net Plant	\$46,318,314.00		\$49,496,905.00
Utility Plant Acquisition Adjustments (SAB) (114-115)			\$0.00
Other Utility Plant Adjustments (116)			\$0.00
Total Net Utility Plant	\$46,318,314.00		\$49,496,905.00
OTHER PROPERTY AND INVESTMENTS			
Nonutility Property (121)			\$0.00
Less: Accumulated Depreciation and Amortization (122)			\$0.00
Net Nonutility Property			\$0.00
Investment in Associated Companies (123)			\$0.00
Utility and Other Investments (124-125)			\$0.00
Sinking Funds (126)			\$0.00
Other Special Funds (127)			\$0.00
Total Other Property and Investments			\$0.00
CURRENT AND ACCRUED ASSETS			
Cash (131)			\$0.00
Special Deposits (132)			\$0.00
Other Special Deposits (133)			\$0.00
Working Funds (134)	\$762,576.00		\$17,983.00
Temporary Cash Investments (135)	\$3,944,061.00		\$3,706,711.00
Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts (141-144)	\$1,455,095.00		\$1,528,421.00
Accounts Receivable from Associated Companies (145)			\$0.00
Notes Receivable from Associated Companies (146)			\$0.00
Materials and Supplies (151-153)	\$207,810.00		\$167,461.00
Stores Expense (161)			\$0.00
Prepayments (162)	\$86,004.00		\$52,324.00
Accrued Interest and Dividends Receivable (171)	\$1,278.00		\$1,193.00

Boone County Water & Sewer District 01/01/2003

Balance Sheet - Assets and Other Debits (Ref Page: 7)

Reins Receivable (172)		\$0.00
Accrued Utility Revenues (173)	\$327,323.00	\$0.00
Misc. Current and Accrued Assets (174)	\$53,403.00	\$58,575.00
Total Current Assets	\$680,746.00	\$628,575.00
DEFERRED DEBITS		
Unamortized Debt Discount and Expense (181)		\$182,069.00
Extraordinary Property Losses (182)	\$793,025.00	\$0.00
Preliminary Survey and Investigation Charges (183)		(0.00)
Cleaning Accounts (184)		\$0.00
Temporary Facilities (185)		(0.00)
Misc. Deferred Debits (186)		\$0.00
Research and Development Expenditures (187)		\$0.00
Total Deferred Debits	\$193,025.00	\$182,069.00
TOTAL ASSETS AND OTHER DEBITS	\$873,771.00	\$810,634.00

Boone County Water & Sewer District 01/01/2003  
 Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)

<b>EQUITY CAPITAL</b>		
Appropriated Retained Earnings (214)	\$487,924.00	\$656,563.00
Retained Earnings from Income before Contributions (215)	\$5102,499.00	\$1,931,183.00
Donated Capital (215.2)	\$41,871,312.00	\$44,570,056.00
Total Equity Capital	\$49,461,735.00	\$57,158,802.00
<b>LONG-TERM DEBT</b>		
Bonds (22)	\$3,950,000.00	\$4,660,000.00
Required Bonds (22)		
Advances from Associated Companies (23)		
Other Long-Term Debt (224)		
Total Long-Term Debt	\$3,950,000.00	\$4,660,000.00
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Accounts Payable (231)	\$691,464.00	\$875,832.00
Notes Payable (232)		
Accounts Payable to Associated Co. (233)		
Notes Payable to Associated Co (234)		
Tuition/fees Deposits (235)	\$105,120.00	\$82,038.00
Accrued Taxes (236)		
Accrued Interest (237)	\$58,619.00	\$54,876.00
Matured Long-Term Debt (239)		
Matured Interest (240)		
Tax Collections Payable (241)	\$14,354.00	\$12,436.00
Misc. Current and Accrued Liabilities (242)	\$35,438.00	\$61,600.00
Total Current and Accrued Liabilities	\$904,855.00	\$1,086,772.00
<b>DEFERRED CREDITS</b>		
Unamortized Premium on Debt (251)		
Advances for Construction (252)		
Other Deferred Credits (253)		
Total Deferred Credits		
<b>OPERATING RESERVES</b>		

Boone County Water & Sewer District 01/01/2003

Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)

Accumulated Provision for		
Property Insurance (261)		
Injuries and Damages (62)		
Pensions and Benefits (263)		
Miscellaneous Operating Reserves (65)		
Total Operating Reserves		
Total Equity Capital and Liabilities	\$53,188,600	\$53,188,600

Boone County Water & Sewer District 01/01/2003

Comparative Operating Statement (Ref Page: 11)

Operating Revenues (400)	\$6,406,098.00	\$8,297,144.00
Operating Expenses (401)	\$4,743,597.00	\$6,251,442.00
Depreciation Expenses (403)	\$1,152,115.00	\$1,233,957.00
Amortization of Utility Plant Acquisition Adjustment (406)		
Amortization Expense (407)		
Taxes Other Than Income (408 to 4081B)	\$7,221.00	\$80,753.00
Utility Operating Expenses	\$5,967,929.00	\$8,038,157.00
Utility Operating Income	\$338,169.00	\$258,387.00
Income From Utility Plant Leased to Others (413)		
Gains/Losses from Disposition of Utility Property (414)	\$1,200.00	\$6,043.00
Total Utility Operating Income	\$442,369.00	\$266,800.00
OTHER INCOME AND DEDUCTIONS		
Revenues From Merchandising, Jobbing and contract work (415)	\$115,895.00	\$106,070.00
Costs and Expenses on Merchandising, Jobbing and Contract Work (416)		
Interest and Dividend Income (419)	\$116,119.00	\$67,239.00
Allowances for funds used during Constructions (420)		
Nonutility Income (421)		
Miscellaneous Nonutility Expenses (426)		
Total Other Income and Deductions	\$232,014.00	\$173,309.00
TAXES APPLICABLE TO OTHER INCOME		
Taxes Other Than Income (408:20)		
Total Taxes Applicable to Other Income		
INTEREST EXPENSE		
Interest Expense (427)	\$233,929.00	\$231,986.00
Amortization of Debt Discount and Exp. (428)	\$10,956.00	\$10,956.00
Amortization of Premium on Debt (429)		
Total Interest Expense	\$244,885.00	\$242,942.00

Boone County Water & Sewer District 01/01/2003

Comparative Operating Statement (Ref Page: 11)

	2002	2001
EXTRAORDINARY ITEMS		
Extraordinary Income (433)		
Extraordinary Deductions (434)		
Total Extraordinary Items	\$429,498.00	\$207,637.00
NET INCOME BEFORE CONTRIBUTIONS		

Boone County Water & Sewer District 01/01/2003

Statement of Retained Earnings 2002 (Ref Page: 12)

Appropriated Retained Earnings (214)		
(state balance and purpose of each appropriated amount at year end)		
Total Appropriated Retained Earnings		\$656,563.00
Retained Earnings from Income Before Contributions (253)		\$556,563.00
Balance beginning of year		
Balance transferred from Net Income Before Contributions (253)		\$5,102,499.00
Changes to account		(320,167.00)
Appropriations of Retained Earnings (416)		
Adjustments to Retained Earnings (439)		(89,805.00)
Requires Commission approval prior to use)		
Credits		
Debits		
Balance End of Year		\$4,933,861.00

Boone County Water & Sewer District 01/01/2003

Statement of Retained Earnings (cont. 215.2) (Ref Page: 12)

	2002	2001	2000
Donated Capital (C-2)			
Balance Beginning of the Year	\$7,395,426.00	\$1,028,850.00	\$4,871,512.00
Proceeds from capital contributions (4.3.2)			
Other Credits (e.g. grants)	\$807,664.00	\$1,791,080.00	\$2,698,744.00
Debits (e.g. claims, requires Commission Approval)			
Balance End of Year	\$8,203,090.00	\$1,028,850.00	\$4,871,512.00

Boone County Water & Sewer District 01/01/2003

Water Utility Plant Accounts (Ref Page: 14)

Account	Balance	Retirements	Depreciation	Accumulated Depreciation	Net Book Value	Original Cost
Organization (301)	\$0.00					
Franchises (302)	\$0.00					
Land and Land Rights (303)	\$256,633.00				\$256,633.00	\$256,633.00
Structures and Improvements (304)	\$1,625,555.00				\$1,625,555.00	\$1,625,555.00
Collecting and Impounding Reservoirs (305)	\$0.00					
Lakes, Rivers and Other Intakes (306)	\$0.00					
Wells and Springs (307)	\$0.00					
Infiltration Galleries and Tunnels (308)	\$0.00					
Supply Mains (309)	\$0.00					
Power Generation Equipment (310)	\$0.00					
Pumping Equipment (311)	\$0.00					
Water Treatment Equipment (320)	\$0.00					
Distribution Reservoirs and Standpipes (330)	\$0.00					
Transmission and Distribution Mains (331)	\$0.00					
Services (333)	\$0.00					
	\$50,629,978.00	\$4,306,414.00			\$54,936,392.00	\$54,936,392.00

Boone County Water & Sewer District 01/01/2003

Water Utility Plant Accounts (Ref Page: 14)

	Balance	Additions	Retirements	Transfers	Current Year	Supplies	Accumulated	Retirements	Balance
Meters and Meter Installations (334)	\$0.00								
Hydrants (335)	\$0.00								
Backflow Prevention Devices (336)	\$0.00								
Filter Plant and Misc. Equipment (339)	\$1,680,599.00				\$1,680,599.00				\$1,680,599.00
Office Furniture and Equip. (340)	\$140,017.00	\$996.00			\$141,013.00				\$141,013.00
Transportation Equipment (341)	\$385,566.00	\$98,525.00	\$10,837.00		\$474,254.00				\$474,254.00
Stores Equipment (342)	\$0.00								
Tools, Shop and Garage Equip (343)	\$32,231.00				\$32,231.00				\$32,231.00
Laboratory Equipment (344)	\$0.00								
Power Operated Equipment (345)	\$313,123.00				\$313,123.00				\$313,123.00
Communication Equipment (346)	\$0.00								
Miscellaneous Equipment (347)	\$3,439.00				\$3,439.00				\$3,439.00
Other Tangible Plant (348)	\$0.00								
Total Water Plant	\$55,067,191.00	\$4,406,935.00	\$10,837.00		\$59,463,289.00				\$59,463,289.00

Boone County Water & Sewer District 01/01/2003

Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)

Primary Account	Balance at 01/01/03	Depreciation Expense	Accumulated Depreciation	Net Book Value
Organization (301)				
Franchises (302)				
Land and Land Rights (303)				
Structures and Improvements (304)	\$201,951.00	\$38,183.00		\$163,768.00
Collecting and Impounding Reservoirs (305)				
Lake, River and Other Intakes (306)				
Wells and Springs (307)				
Infiltration Galleries and Tunnels (308)				
Supply Mains (309)				
Power Generating Equipment (310)				
Pumping Equipment (311)				
Water Treatment Equipment (320)				
Distributions Reservoirs and Standpipes (330)				
Transmission and Distribution Mains (331)	\$8,288,333.00	\$1,067,813.00		\$7,220,520.00
Services (333)				
Meters and Meter Installations (334)				
Hydrants (335)				
Backflow Prevention Devices (336)				
Other Plant and	\$125,754.00	\$2,612.00		\$123,142.00
				\$9,356,146.00

Boone County Water & Sewer District 01/01/2003

Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)

Balance	Acc. Dep. (340)	Acc. Dep. (341)	Acc. Dep. (342)	Acc. Dep. (343)	Acc. Dep. (344)	Acc. Dep. (345)	Acc. Dep. (346)	Acc. Dep. (347)	Acc. Dep. (348)
Office Furniture and Equip. (340)	\$137,282.00	\$1,089.00							\$138,371.00
Transportation Equipment (341)	\$118,330.00	\$67,750.00	\$10,837.00						\$175,217.00
Stores Equipment (342)									
Tools, Shop and Garage Equip. (343)	\$10,366.00	\$304.00							\$10,770.00
Laboratory Equipment (344)									
Power Operated Equipment (345)	\$219,735.00	\$25,306.00							\$245,041.00
Communications Equipment (346)									
Miscellaneous Equipment (347)									
Other Tangible Plant (348)									
Totals	\$9,171,195.100	\$1,333,957.00	\$10,837.00						\$10,535,102.100

Boone County Water & Sewer District 01/01/2003

Accumulated Amortization ( Acct. 110) (Ref Page: 16)

	Description	
Balance First of Year		
Credit during year		
Accruals Charged to Account 110-1		
Accruals Charged to Account 110-2		
Other Credits		
(specify)		
Total Credits		
Debits during year		
Book Cost of Plant Retired		
Other Debits		
(specify)		
Total Debits		
Balance end of Year		

Utility Plant Acquisition Adjustments (Accts. 114-115) (Ref Page: 16)

Account	Balance	Debit	Credit
Acquisition Adjustments (114) (specify)			
Total Plant Acquisition Adjustments			
Accumulated Amortization (115) (specify)			
Total Accumulated Amortization			
Net acquisition adjustments			

Boone County Water & Sewer District 01/01/2003

Investments and Special Funds (Ref Page: 17)

	Department (01)	Capital Projects	Special Funds
Investment in Associated Companies (123)			
Total Investment in Associated Companies			
Utility Investments (124)			
Total Utility Investments			
Other Investments (125)			
Total Other Investments			
Sinking Funds (126)			\$0.00
Total Sinking Funds			\$0.00
Other Special Funds (127)			
Total Other Special Funds			\$0.00

Boone County Water & Sewer District 01/01/2003  
 Accounts and Notes Receivable - Net (Accts 141-144) (Ref Page: 18)

	Description	
Accounts and Notes Receivable		
Customer Accounts Receivable (141)		\$7,139,866.00
Other Accounts Receivable (142)		
Total Other Accounts Receivable	ASSESSMENTS RECEIVABLE	58,074,538.00
Notes Receivable (144)		38,074,538.00
Total Notes Receivable		
Total Accounts and Notes Receivable		\$15,342,942.00
Accumulated Provision for Uncollectible Accounts (143)		
Balance Brought Over		\$15,342,942.00
Add:		
Provision for uncollectibles for current year		
Collections of accounts previously written off		
Other		
(Specify)		
Total Additions		\$4,000.00
Deduct accounts written off during year		
Other		
(Specify)		
Total Deductions		
Balance end of year		\$19,660.00
Total Accounts and Notes Receivable - Net		\$15,284,924.00

Boone County Water & Sewer District 01/01/2003

Materials and Supplies (151-153) (Ref Page: 19)

Plant Materials and Supplies (151)	3167.46100
Merchandise (152)	
Other Materials and Supplies (153)	
Total Materials and Supplies	3167.46100

Boone County Water & Sewer District 01/01/2003

Prepayments (Acct. 162) (Ref Page: 19)

Description	Amount
Prepaid Insurance	
Prepaid Rents	
Prepaid Interest	
Prepaid Taxes	
Other Prepayments (Specify)	
Total Prepayments	\$3,324.00

Miscellaneous Deferred Debits (Acct. 186) (Ref Page: 20)

Miscellaneous Deferred Debits (186)	
Deferred Rate Gas Expense (186.1)	
Other Deferred Debits (186.2)	
Regulatory Assets (186.3)	
Total Miscellaneous Deferred Debits	

Boone County Water & Sewer District 01/01/2003

Unamortized Debt Discount and Expense and Premium on Debt (Accfs 181 and 251) (Ref Page: 20)

Description	Amortization Period	Unamortized Debt Discount and Expense	Unamortized Premium on Debt
Unamortized Debt Discount and Expense (181)			
BOND SERIES 1995A		84,375.00	365,257.00
BOND SERIES 2001		56,581.00	511,682.00
Total Unamortized Debt Discount and Expense		140,956.00	876,939.00
Unamortized Premium on Debt (251)			
Total Unamortized Premium on Debt			

Boone County Water & Sewer District 01/01/2003

Extraordinary Property Losses (Acct. 182) (Ref Page: 21)

	Description	Amount
Extraordinary Property Losses (182)		
(Specify)		
Total Extraordinary Property Losses		

Boone County Water & Sewer District 01/01/2003

Advances for Construction (Acct. 252) (Ref Page: 21)

	Debit	Credit
Balance-First of Year		
Add credits during year		
Deduct charges during year		
Balance end of year		

Boone County Water & Sewer District 01/01/2003

Long Term Debt (Ref Page: 22)

Account	Balance	Change	Balance	Change	Balance
Long Term Debt					
General Fund					
Capital Projects					
Other					
<b>Total</b>					

Boone County Water & Sewer District 01/01/2003

Bonds - Account 221 (Ref Page: 23)

Account	General Fund	Capital Budget	Water	Sewer	Water & Sewer	Other	Total
	\$3,695,000.00		\$2,095,000.00		\$1,065,000.00		\$6,855,000.00
	\$2,750,000.00		\$2,565,000.00		\$1,085,307.00		\$6,399,307.00
Total	\$6,445,000.00		\$4,660,000.00		\$2,150,307.00		\$13,255,307.00



Boone County Water & Sewer District 01/01/2003

Schedule of Bond Maturities (Ref Page: 23)

Bond Number	Maturity Date	Interest (\$/yr)	Principal (\$/yr)	Amount	01/01/2003
78-98	10/01/06	3,000	\$105,000.00		\$105,000.00
99-120	10/01/07	3,500	\$110,000.00		\$110,000.00
121-123	10/01/08	3,700	\$115,000.00		\$115,000.00
144-168	10/01/09	3,800	\$125,000.00		\$125,000.00
169-193	10/01/10	3,900	\$130,000.00		\$130,000.00
194-219	10/01/11	4,000	\$135,000.00		\$135,000.00
220-246	10/01/12	4,000	\$140,000.00		\$140,000.00
247-274	10/01/13	4,000	\$145,000.00		\$145,000.00
275-303	10/01/14	4,250	\$150,000.00		\$150,000.00
304-334	10/01/15	4,400	\$155,000.00		\$155,000.00
335-366	10/01/16	4,500	\$160,000.00		\$160,000.00
367-400	10/01/17	4,600	\$170,000.00		\$170,000.00
401-435	10/01/18	4,700	\$175,000.00		\$175,000.00
436-472	10/01/19	4,700	\$185,000.00		\$185,000.00
473-510	10/01/20	4,750	\$190,000.00		\$190,000.00
511-550	10/01/21	4,750	\$200,000.00		\$200,000.00
Total			\$6,445,000.00	\$1,850,000.00	\$4,660,000.00
(The total of Column 2 must agree with the total of col. 4)					

Boone County Water & Sewer District 01/01/2003

Notes Payable (Accts 232 and 234) (Ref Page: 24)

Account	Notes Payable						
Account 232 - Notes Payable							
Total Account 232			0				
Account 234 - Notes Payable to Associated Companies							
Total Account 234			0				

Boone County Water & Sewer District 01/01/2003

Accounts Payable to Associated Companies (Acct. 233) (Ref Page: 24)

	Description	Total
Site/ Payable to Each Associated Company Separately		
(Specify)		
Total		

Boone County Water & Sewer District 01/01/2003

Taxes Accrued (Acct. 236) (Ref Page: 25)

Balance, first of year	
Accruals charged	\$11,678.00
Utility regulatory assessments fees (408.10)	
Property taxes (408.11)	\$69,078.00
Payroll taxes (employer's portion) (408.12)	
Other taxes and licenses (408.13)	
Taxes other than income, other income and deductions (408.20)	
Total taxes accrued	\$80,756.00
Taxes paid during year	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	\$11,678.00
Payroll taxes (employer's portion) (408.12)	
Other taxes and licenses (408.13)	
Taxes other than income, other income and deductions (408.20)	
Total Taxes Paid	\$80,756.00
Balance end of year	

Boone County Water & Sewer District 01/01/2003

Accrued Interest (Account 237) 2002 (Ref Page: 25)

Account Description	Budget	Actual	Encumbrance	Balance
Long Term Debt				
BOND 1990 SERIES	28224.0000	\$110,659.00	\$112,975.00	\$23,928.00
BOND 2001 SERIES	27362.0000	\$108,807.00	\$109,448.00	\$6,721.00
Notes Payable				
Customer Deposits				
Other	2413.0000	\$2,521.00	\$3,207.00	\$6,227.00
Total Acct. No. 237	58519.0000	\$221,987.00	\$225,630.00	\$54,876.00

Boone County Water & Sewer District 01/01/2003

Miscellaneous Current and Accrued Liabilities (Acct. 242) (Ref Page: 26)

	Description	Amount
Total Miscellaneous Current and Accrued Liabilities	ACCURED VACATION	\$61,600.00
		\$61,600.00



Boone County Water & Sewer District 01/01/2003

Water Operating Revenue (Ref Page: 27)

Account Name	Operating Revenue	Public Utilities	Water Revenue	Other Revenue	Total Revenue
Operating Revenues					
Unmetered Water Revenue (460)	0	0	0	0	\$0.00
Metered Water Revenue (461)					
Sales to Residential Customers (461.1)	15,167	16,526			\$5,147,730.00
Sales to Commercial Customers (461.2)	1,271	1,353			\$2,183,195.00
Sales to Industrial Customers (461.3)	15	16			\$32,715.00
Sales to Public Authorities (461.4)	118	119			\$20,163.00
Sales to Multiple-Family Dwellings (461.5)	69	67			\$409,356.00
Sales through Bulk Loading Stations (461.6)	0	0			\$92,987.00
Total Metered Sales	16,734	18,081			\$8,077,104.00
Fire Protection Revenue (462)					
Public Fire Protection (462.1)	0	0			\$0.00
Private Fire Protection (462.2)	0	0			\$0.00
Total Fire Protection Revenue	0	0			\$0.00
Other Sales to Public Authorities (464)	0	0			\$0.00
Sales to Irrigation Customers (465)	0	0			\$0.00
Sales for Resale (466)	0	0			\$0.00
Interdepartmental Sales (467)	0	0			\$0.00
Total Sales of Water	16,734	18,081			\$8,077,104.00
Other Water Revenues					
Guaranteed Revenues (469)	0	0			\$0.00
Forfeited Discounts (470)	0	0			\$159,429.00
Miscellaneous Service Revenues (471)	0	0			\$63,669.00
Rents from Water Property (472)	0	0			\$0.00
Interdepartmental Rents (473)	0	0			\$0.00
Other Water Revenues (474)	0	0			\$0.00
Total Other Water Revenues	0	0			\$223,098.00
Total Water Operating Revenues					\$8,297,144.00







Boone County Water & Sewer District 01/01/2003

Pumping and Water Statistics - part one (Ref Page: 29)

January	68,390,400	68,390,400	127,558,313
February	147,515,400	147,515,400	128,893,334
March	88,367,800	88,367,800	127,395,012
April	165,958,760	165,958,760	131,041,917
May	163,759,640	163,759,640	134,108,028
June	150,854,396	150,854,396	141,987,122
July	100,850,596	100,850,596	184,242,704
August	405,256,672	405,256,672	168,996,950
September	167,796,596	167,796,596	179,025,610
October	153,090,916	153,090,916	166,955,242
November	134,373,712	134,373,712	142,414,894
December	142,295,780	142,295,780	119,394,656
Total for the year	1,888,510,668	1,888,510,668	1,752,009,782

Boone County Water & Sewer District 01/01/2003

Pumping and Water Statistics - part two (Ref Page: 29)

Maximum Gallons pumped by all methods in any one day (Omit 000's)	1,093,989	07/08/2003
Minimum Gallons pumped by all methods in any one day (Omit 000's)	2,452,692	03/05/2003

Boone County Water & Sewer District 01/01/2003

Pumping and Water Statistics - part three (Ref Page: 29)

<p>If water is purchased indicate the following</p>	
<p>Vendor</p>	
<p>Point of Delivery</p>	<p>NO KY. WATER SERVICE DISTRICT-03/03, BOONE FLORECE WATER - 12/03                  CWW/DIRY CREEK</p>
<p>If water is sold to other water utilities for redistribution,</p>	
<p>list names of such utilities below:</p>	



Boone County Water & Sewer District 01/01/2003

Water Statistics (Ref Page: 30)

1. Water Produced, Purchased and Distributed		
2. Water Produced		
3. Water Purchased	1,888,510,668	
4. Total Produced and Purchased	1,888,510,668	
5. Water Sales		
7. Residential	1,165,387,007	
8. Commercial	533,869,936	
9. Industrial	741,287	
10. Bulk Loading Stations	278,137	
11. Resale		
12. Other Sales		
13. Total Water Sales	1,752,009,782	
15. Other Water Used		
16. Utility/water treatment plant		
17. Wastewater plant		
18. System flushing	5,545,192	
19. Fire department		
20. Other		
21. Total Other Water Used		
23. Water Loss:		
24. Tank Overflows		
25. Line Breaks		
26. Line Leaks		
27. Other		
28. Total Line Loss	111,156,609	
Note: Line 13 + Line 21 + Line 28 must equal Line 4		
32. Water Loss Percentage		
33. Line 28 divided by Line 4	5.89%	0

Choose one to indicate the type of Water Supply Method	

OATH

Commonwealth of KENTUCKY )  
County of BOONE ) ss:

RONALD CRUME

(Name of Officer)

makes oath and says

that he/she is CHAIRMAN of  
(Official title of officer)

BOONE COUNTY WATER DISTRICT

(Exact legal title or name of respondent)

that it is his/her duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he/she knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he/she has carefully examined the said report and to the best of his/her knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he/she believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

JANUARY 1, 2003, to and including DECEMBER 31, 2003

\_\_\_\_\_  
(Signature of Officer)

Subscribed and sworn to before me, a \_\_\_\_\_, in and for  
the State and County named in the above this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

(Apply Seal Here)

My Commission expires \_\_\_\_\_

\_\_\_\_\_  
(Signature of officer authorized to administer oath)

**BOONE COUNTY WATER DISTRICT - TOTAL CURRENT BOND DEBT SERVICE**

----- 1993 SERIES BONDS ----- 2001 SERIES BONDS -----

Payment Date	Interest Rate	Principal Pmt	Interest Pmt	Total Pmt	Interest Rate	Principal Pmt	Interest Pmt	Total Pmt	Total Current Bond Pmts
01-Apr-05			\$46,988				\$51,991		
01-Oct-05	4.75%	\$210,000	\$46,988	\$303,975	3.00%	\$100,000	\$51,991	\$203,983	\$507,958
01-Apr-06			\$42,000				\$50,491		
01-Oct-06	5.00%	\$220,000	\$42,000	\$304,000	3.30%	\$105,000	\$50,491	\$205,983	\$509,983
01-Apr-07			\$36,500				\$48,759		
01-Oct-07	5.00%	\$235,000	\$36,500	\$308,000	3.50%	\$110,000	\$48,759	\$207,518	\$515,518
01-Apr-08			\$30,625				\$46,834		
01-Oct-08	5.00%	\$85,000	\$30,625	\$146,250	3.70%	\$115,000	\$46,834	\$208,668	\$354,918
01-Apr-09			\$28,500				\$44,706		
01-Oct-09	5.00%	\$90,000	\$28,500	\$147,000	3.80%	\$125,000	\$44,706	\$214,413	\$361,413
01-Apr-10			\$26,250				\$42,331		
01-Oct-10	5.00%	\$95,000	\$26,250	\$147,500	3.90%	\$125,000	\$42,331	\$209,663	\$357,163
01-Apr-11			\$23,875				\$39,894		
01-Oct-11	5.00%	\$100,000	\$23,875	\$147,750	4.00%	\$130,000	\$39,894	\$209,788	\$357,538
01-Apr-12			\$21,375				\$37,294		
01-Oct-12	5.00%	\$105,000	\$21,375	\$147,750	4.00%	\$135,000	\$37,294	\$209,588	\$357,338
01-Apr-13			\$18,750				\$34,594		
01-Oct-13	5.00%	\$115,000	\$18,750	\$152,500	4.10%	\$140,000	\$34,594	\$209,188	\$361,688
01-Apr-14			\$15,875				\$31,724		
01-Oct-14	5.00%	\$115,000	\$15,875	\$146,750	4.25%	\$145,000	\$31,724	\$208,448	\$355,198
01-Apr-15			\$13,000				\$28,643		
01-Oct-15	5.00%	\$120,000	\$13,000	\$146,000	4.40%	\$155,000	\$28,643	\$212,285	\$358,285
01-Apr-16			\$10,000				\$25,233		
01-Oct-16	5.00%	\$125,000	\$10,000	\$145,000	4.50%	\$160,000	\$25,233	\$210,465	\$355,465
01-Apr-17			\$6,875				\$21,633		
01-Oct-17	5.00%	\$135,000	\$6,875	\$148,750	4.60%	\$170,000	\$21,633	\$213,265	\$362,015
01-Apr-18			\$3,500				\$17,723		
01-Oct-18	5.00%	\$140,000	\$3,500	\$147,000	4.70%	\$175,000	\$17,723	\$210,445	\$357,445
01-Apr-19							\$13,610		
01-Oct-19					4.70%	\$185,000	\$13,610	\$212,220	\$212,220
01-Apr-20							\$9,263		
01-Oct-20					4.75%	\$190,000	\$9,263	\$208,525	\$208,525
01-Apr-21							\$4,750		
01-Oct-21					4.75%	\$200,000	\$4,750	\$209,500	\$209,500

**TOTALS: \$1,890,000 \$648,225 \$2,538,225 \$2,465,000 \$1,098,940 \$3,563,940 \$6,102,165**

9:45 AM  
 09/20/04  
 Accrual Basis

**BOONE COUNTY WATER DISTRICT**  
**Profit & Loss**  
 January through August 2004

	<u>Jan - Aug 04</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
321 · BAD CHECK CHARGES	360.00
322 · INTEREST ASSESSMENTS	12,479.72
325 · ADMIN & ENG FEE INCOME	43,319.73
326 · BCFC - COLLECTION INCOME	70,734.17
361 · METERED WATER SALES	
36110 · METERED RESIDENTIAL	3,766,344.97
36120 · METERED COMMERCIAL	1,456,807.64
36130 · METERED INDUSTRIAL	19,388.80
36140 · METERED PUBLIC AUTHORITY	150,974.29
36150 · METERED MULTIPLE FAMILY	273,489.46
36160 · METERED WATER HAULER	57,125.95
<b>Total 361 · METERED WATER SALES</b>	<b>5,724,131.11</b>
370 · PENALTIES	108,263.20
<b>Total Income</b>	<b>5,959,267.93</b>
<b>Expense</b>	
403 · DEPRECIATION	877,200.00
408 · TAXES OTHER THAN INCOME	
40810 · PAYROLL TAX - FICA	47,914.90
40820 · UNEMPLOYMENT TAX	4,246.15
<b>Total 408 · TAXES OTHER THAN INCOME</b>	<b>52,161.05</b>
429 · AMORTIZATION	7,304.00
431 · INT PD ON CUSTOMER DEPOSITS	1,402.84
801 · WATER PURCHASED	3,565,111.59
602 · OPERATING SUPPLIES	318,210.68
603 · REPAIRS TO LINES	99,701.87
623 · UTILITIES	12,485.36
640 · OPERATION LABOR	294,300.31
641 · OPERATIONS SUPPLIES & EXPENSES	
64110 · TRUCK EXPENSE	17,455.88
64120 · FUEL PURCHASES	22,343.62
64130 · LABORATORY TESTS	18,887.88
64140 · RADIO RENTAL & REPAIRS	5,756.13
<b>Total 641 · OPERATIONS SUPPLIES &amp; EXPENSES</b>	<b>64,423.27</b>
901 · METER READERS (LABOR)	97,609.82
902 · OFFICE SALARIES	112,907.73
920 · ADM & GENERAL SALARIES	
92010 · MANAGER'S SALARY	43,371.85
92020 · COMMISSIONERS EXPENSE	20,000.00
92030 · OFFICE COORDINATOR SALARY	26,918.85
<b>Total 920 · ADM &amp; GENERAL SALARIES</b>	<b>90,290.50</b>
921 · OFFICE SUPPLIES & OTHER	
92110 · POSTAGE	36,054.55
92120 · TELEPHONE	16,663.50
92130 · OFFICE SUPPLIES	15,176.01
92140 · MANAGERS EXPENSE	5,163.96
92160 · EDUCATION & TRAINING	1,100.67
92170 · COMPUTER SERVICES	8,240.00
921 · OFFICE SUPPLIES & OTHER - Other	0.00
<b>Total 921 · OFFICE SUPPLIES &amp; OTHER</b>	<b>82,398.69</b>

9:45 AM  
09/20/04  
Accrual Basis

**BOONE COUNTY WATER DISTRICT**  
**Profit & Loss**  
**January through August 2004**

	<u>Jan - Aug 04</u>
<b>923 · OUTSIDE SERVICES</b>	
92310 · ACCOUNTING SERVICES	26,869.85
92320 · LEGAL SERVICES	5,000.00
92330 · ENGINEERING SERVICES	3,709.50
92335 · CDMHYDRAULIC MODEL	23,017.37
92340 · OTHER PROFESSIONAL SVC	6,500.00
92350 · MONTHLY BILLING SERVICES	41,314.79
92360 · GIS MAP	20,000.00
<b>Total 923 · OUTSIDE SERVICES</b>	<u>126,411.51</u>
<b>924 · INSURANCE</b>	
92410 · GENERAL LIABILITY INSURANCE	47,640.00
92420 · WORKERS COMPENSATION	17,377.00
<b>Total 924 · INSURANCE</b>	<u>65,017.00</u>
<b>925 · BUILDING &amp; GROUNDS MAINTENANCE</b>	25,306.67
<b>926 · EMPLOYEE BENEFITS</b>	
92610 · RETIREMENT FUND	47,201.43
92620 · EMPLOYEE WELFARE FUND	129,765.00
<b>Total 926 · EMPLOYEE BENEFITS</b>	<u>176,966.43</u>
<b>930 · MISCELLANEOUS</b>	
93010 · GENERAL MISCELLANEOUS	-17,627.93
93020 · DUES & MEETINGS	915.56
93030 · PSC ASSESSMENTS	14,320.87
<b>Total 930 · MISCELLANEOUS</b>	<u>-2,391.50</u>
<b>Total Expense</b>	<u>6,066,817.82</u>
<b>Net Ordinary Income</b>	-107,529.89
<b>Other Income/Expense</b>	
Other Income	
320 · INTEREST	28,806.60
<b>Total Other Income</b>	<u>28,806.60</u>
Other Expense	
427 · INTEREST ON LONG TERM DEBT	138,290.32
<b>Total Other Expense</b>	<u>138,290.32</u>
<b>Net Other Income</b>	<u>-109,483.72</u>
<b>Net Income</b>	<u><u>-217,013.61</u></u>

09/20/04

**BOONE COUNTY WATER DISTRICT**  
**Balance Sheet**  
 As of August 31, 2004

Aug 31, 04

**ASSETS**

**Current Assets**

**Checking/Savings**

131 · CASH ON HAND	322.24
13112 · O&M - THE BANK OF KY	45,846.63

<b>Total Checking/Savings</b>	<b>46,168.87</b>
-------------------------------	------------------

**Accounts Receivable**

1200 · Accounts Receivable-Assessments	495,673.13
--	------------

<b>Total Accounts Receivable</b>	<b>495,673.13</b>
----------------------------------	-------------------

**Other Current Assets**

13230 · CD - THE BANK OF KY	1,230,782.48
13241 · RENEWAL & REPLACEMENT FUND	685,222.80
13242 · DEPRECIATION ACCOUNT	805,536.49
13260 · CD - FIRST FINANCIAL BANK	455,952.29
13270 · CD-BOONE NATIONAL BANK	108,852.76
<b>1330 · RESTRICTED ASSETS</b>	
13240 · DEBT SERVICE - BANK OF KY	373,493.31
13290 · 5TH 3RD-1993 RESERVE FUND	284,418.17
13292 · 5TH 3RD-2001 BOND FUND	116,467.67
13295 · 5TH 3RD-2001 RESERVE FUND	227,735.29
13296 · 5TH 3RD-1993 BOND FUND	133.24

<b>Total 1330 · RESTRICTED ASSETS</b>	<b>1,002,247.68</b>
---------------------------------------	---------------------

140 · ASSESSMENTS RECEIVABLE	-42,855.75
141 · ASSMT REC'D	12,853.50
142 · ACCOUNTS REC'L - CUSTOMERS	1,011,194.00
146 · ALLOW FOR BAD DEBT	-19,000.00
147 · NOTE RECEIVABLE OTHER	12,564.27
148 · NOTE RECEIVABLE-STATE	40,637.00
160 · INVENTORY	167,480.95
165 · PREPAID INSURANCE	75,242.26
171 · UNBILLED WATER	522,478.99
182 · ACCRUED INTEREST INCOME	4,319.10

<b>Total Other Current Assets</b>	<b>6,073,488.82</b>
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<b>Total Current Assets</b>	<b>6,615,330.82</b>
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**Fixed Assets**

101 · TRANSMISSION LINES	55,303,747.99
10110 · LAND	258,632.75
10120 · FURNITURE & FIXTURES	142,525.64
10130 · MACHINERY & EQUIPMENT	895,113.33
10135 · AUTOMATED METER SYSTEM	1,663,109.67
106 · MATERIAL STORAGE BUILDING	67,157.85
107 · ADMINISTRATIVE BUILDING	1,441,343.74
108 · BUILDINGS-FROGTOWN/HEBRON	90,027.37
110 · ALLOWANCE FOR DEPRECIATION	-11,212,270.98
1310 · CONSTRUCTION IN PROGRESS	
13100 · BCWD/CWW	
13170 · WATER TOWER	230.85

<b>Total 13100 · BCWD/CWW</b>	<b>230.85</b>
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09/20/04

**BOONE COUNTY WATER DISTRICT**  
**Balance Sheet**  
 As of August 31, 2004

	<u>Aug 31, 04</u>
13119 · BROOKSTONE	2,820.00
13121 · LONGBRANCH ROAD	179,843.00
13122 · LANGLEY	167,641.83
13123 · BULLITTSVILLE/RT 20	127,531.27
13124 · KY 338 / CLAY ST	69.00
13131 · KY 18 RELOCATION	3,626.60
13140 · PEEL ROAD	361,628.45
13144 · UTZ LANE	117,843.84
13147 · WILLIAMS ROAD	230,893.10
13148 · KROTH LANE	3,025.50
13194 · SUNNYBROOK	3,484.00
13199 · GAINESWAY	3,112.50
<b>Total 1310 · CONSTRUCTION IN PROGRESS</b>	<b>1,201,749.94</b>
<b>13160 · WATER RATE STUDY</b>	<b>220,578.35</b>
<b>Total Fixed Assets</b>	<b>50,069,715.45</b>
<b>Other Assets</b>	
183 · ORIGINAL ISSUE DISCOUNT	174,764.83
<b>Total Other Assets</b>	<b>174,764.83</b>
<b>TOTAL ASSETS</b>	<b>56,859,811.10</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
232 · ACCOUNTS PAYABLE	1,201,873.30
<b>Total Accounts Payable</b>	<b>1,201,873.30</b>
<b>Other Current Liabilities</b>	
224 · NOTE PAYABLE-STATE	170,000.00
235 · CUSTOMER DEPOSITS	75,694.56
23510 · ACCRUED INT ON CUSTOMER DEPOSIT	2,666.77
23520 · DEPOSIT ON FIRE HYDRANTS	8,927.70
236 · SALES TAX	8,943.46
23610 · SCHOOL TAX	8,130.75
237 · BOONE COUNTY FISCAL COURT TAX	10,183.08
23710 · SEWER SALES TAX BCFC	1,345.87
2380 · PAYROLL WITHHOLDING	
238 · FICA WITHHELD	1,449.70
23810 · FEDERAL WITHHELD	-2,057.06
23820 · STATE WITHHELD	-83.53
23830 · RETIREMENT WITHHELD	-115.71
23840 · BOONE CO WITHHELD	3,824.73
23860 · HEALTH INS WITHHELD	704.50
23860 · BOONE CO MENTAL HEALTH WITHHELD	-627.34
23860 · CHILD SUPPORT	1,101.18
23881 · CHAPTER 13 DEDUCTION	1,500.00
23890 · SCHOOL TAX WITHHELD	-1,370.94
23891 · OTHER-WITHHELD	350.76
23892 · DEFERRED COMPENSATION	-75.00
<b>Total 2380 · PAYROLL WITHHOLDING</b>	<b>4,601.29</b>
2390 · LIAB PAY FROM RESTRICTED ASSET	
23910 · CURRENT PORTION OF BOND DEBT	305,000.00
23920 · ACCRUED INT - FIFTH THIRD	190,939.03
<b>Total 2390 · LIAB PAY FROM RESTRICTED ASSET</b>	<b>495,939.03</b>
260 · ACCRUED VAC & WAGES	55,179.84
252 · ACCRUED LIABILITIES	12,863.50
<b>Total Other Current Liabilities</b>	<b>852,465.85</b>
<b>Total Current Liabilities</b>	<b>2,054,339.15</b>

09/20/04

**BOONE COUNTY WATER DISTRICT**  
**Balance Sheet**  
**As of August 31, 2004**

Aug 31, 04

<b>Long Term Liabilities</b>	
220 · LONG-TERM DEBT	
222 · BONDS PAYABLE - FIFTH THIRD BK	1,890,000.00
225 · BONDS PAYABLE-2001	2,465,000.00
<b>Total 220 · LONG-TERM DEBT</b>	<u>4,355,000.00</u>
<b>Total Long Term Liabilities</b>	<u>4,355,000.00</u>
<b>Total Liabilities</b>	6,409,339.15
<b>Equity</b>	
271 · CONT IN AID OF CONSTRUCTION	
27120 · CUSTOMER ADVANCE FOR CONSTRUCT	7,207,319.66
27130 · CONTRIBUTION IN AID OF CONST	30,600,133.66
27140 · CONTRIBUTION IN AID CONST	102,850.00
27160 · CONT IN AID OF CONST - BCFC	628,940.00
271 · CONT IN AID OF CONSTRUCTION - Other	-54,907.77
<b>Total 271 · CONT IN AID OF CONSTRUCTION</b>	<u>38,482,335.55</u>
283 · UNAPPROPRIATED SURPLUS	4,142,290.76
284 · APPROPRIATED -RETAINED EARNINGS	8,042,859.25
Net Income	-217,013.61
<b>Total Equity</b>	<u>50,450,471.95</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>56,859,811.10</u></u>

**RECEIVED**

SEP 21 2004

PUBLIC SERVICE  
COMMISSION

1992 GENERAL BOND RESOLUTION  
AUTHORIZING THE ISSUANCE OF AND SECURING  
WATER REVENUE BONDS

\* \* \* \* \*

BOONE COUNTY WATER AND SEWER DISTRICT,  
BOONE COUNTY, KENTUCKY

A Water District Duly Organized Pursuant to  
Chapter 74 of the Kentucky Revised Statutes

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ADOPTED

October 13, 1992

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1992 GENERAL BOND RESOLUTION AUTHORIZING THE ISSUANCE OF  
AND SECURING WATER REVENUE BONDS OF  
BOONE COUNTY WATER AND SEWER DISTRICT

BOONE COUNTY, KENTUCKY

This GENERAL BOND RESOLUTION made and adopted as of the 13th day of October, 1992, by BOONE COUNTY WATER AND SEWER DISTRICT, Boone County, Kentucky, (hereinafter sometimes referred to as the "District"), a body corporate and politic constituting a de jure public corporation and a political subdivision of the Commonwealth of Kentucky, existing pursuant to authority of Chapter 74 of the Kentucky Revised Statutes, for the establishment of the rules, regulations and conditions for the issuance from time to time by the District of its Water Revenue Bonds:

W I T N E S S E T H:

THAT WHEREAS, Boone County Water and Sewer District has been heretofore duly created and established pursuant to law as a water district and, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes, the District has the authority and duty to plan, design, finance, construct, install, operate, replace and maintain water works and water distribution system facilities within the service area of the District and the District owns and operates substantial water works and water distribution system facilities, which are used throughout the service area of the District for the provision of potable water for human consumption and for fire protection; and

WHEREAS, the District, pursuant to Chapter 74 of the Kentucky Revised Statutes, has and possesses authority to establish water service rates and charges, subject to the regulatory jurisdiction of the Public Service Commission of Kentucky and its successors; and the District is in compliance with all regulatory laws governing its operations and has the legal authority to levy, bill and collect a schedule of water service rates, rentals and charges, which rates, rentals and charges have been approved by the Public Service Commission of Kentucky; and

WHEREAS, the District, acting by and through its Board of Commissioners, has heretofore constructed, installed and placed into service major extensions, additions and improvements to its existing water works and water distribution facilities, for which the District has been granted appropriate

certificates of public convenience and necessity therefor by the Public Service Commission of Kentucky or its predecessor; and

WHEREAS, a bond resolution authorizing the issuance of the District's water revenue bonds was adopted by the District on February 10, 1967, pursuant to which Boone County (Kentucky) Water Revenue Bonds, dated April 1, 1967 were issued, of which \$1,425,000 in principal amount are presently outstanding (the "Outstanding Bonds"), there being no other bonds outstanding; and

WHEREAS, the Board of Commissioners of the District has determined the necessity of defeasing the Outstanding Bonds in order to eliminate certain inefficiencies in the operation of the District and to reduce the District's cost of borrowing caused by certain restrictions on borrowing contained in such resolution; and

WHEREAS, bonds issued under this General Bond Resolution can be used to defease the Outstanding Bonds which are secured by a lien on the District's income and revenues, and this General Bond Resolution further makes provision for the continued operation, maintenance, and expansion of the System in the future from time to time, by the issuance of bond anticipation notes and parity water revenue bonds of the District pursuant to terms and conditions contained in this General Bond Resolution; and

WHEREAS, in conjunction with the defeasance of the Outstanding Bonds, it is now necessary that the District adopt this General Bond Resolution in order to secure the rights of those who may become holders of the water revenue bonds and bond anticipation notes of the District issued hereunder and to make provision for: (a) the issuance of the District's water revenue bonds and revenue bond anticipation notes, (b) providing for the security in respect of such bonds and notes, (c) protecting and enforcing the rights and remedies of the holders thereof, (d) the custody, safeguarding and application of the District's income and revenues derived from the Public Water System, hereinafter defined, (e) the duties and responsibilities of Fiduciaries, as hereinafter defined, and (f) inter alia, all other necessary and desirable provisions with respect to said water revenue bonds, including covenants of the District; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the District to happen, to exist, and to be performed precedent to and in the execution and delivery of this General Bond Resolution have happened, have existed and have been performed as so required in order to make this

General Bond Resolution a valid and binding legal basis for the security of the Water Revenue Bonds hereinafter authorized and described, in accordance with its terms;

NOW, THEREFORE, THIS GENERAL BOND RESOLUTION WITNESSETH, that in consideration of the premises and of the purchase and acceptance of the Water Revenue Bonds by the holders thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Water Revenue Bonds of the District are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become holders thereof, and in order to secure the payment of all the Water Revenue Bonds at any time issued and outstanding hereunder and the interest thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein and herein contained, the District has executed and delivered this General Bond Resolution, and the District does hereby agree and covenant for the equal and proportionate benefit and security of all and singular the present and future holders of the Water Revenue Bonds issued under this General Bond Resolution, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond by reason or priority in the issue, sale or negotiation thereof or otherwise, as follows:

#### ARTICLE I

##### SHORT TITLE, DEFINITIONS, CONSTRUCTION

101. Short Title. This General Bond Resolution may hereafter be cited by the District, the holders of the Bonds and any Fiduciaries, and is hereinafter sometimes referred to as the "1992 General Bond Resolution", the "General Bond Resolution" or the "Resolution."

102. Definitions. Unless the context clearly indicates some other meaning, the following words and terms shall, for all purposes of the General Bond Resolution, have the following meanings:

"Account or Accounts" - shall mean one or more of the separate accounts for each Series of Bonds which are created and established pursuant to the Resolution.

"Act" - shall mean Chapter 74 of the Kentucky Revised Statutes and, pursuant to KRS 74.370(2), shall include Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes and shall include relevant sections of Chapter 58 of the Kentucky Revised Statutes.

"Aggregate Debt Service Reserve Requirement" - shall mean the lesser of (i) the maximum Annual Debt Service Requirement in any succeeding Bond Fiscal Year or (ii) 125% of the average Annual Debt Service Requirement; provided that not more than 10% of the proceeds of any Series of Bonds shall be required to be deposited in the Debt Service Reserve and, if such amount is so deposited, the amount of such deposit plus the amount of all prior deposits required upon the issuance of Bonds shall constitute the Aggregate Debt Service Reserve Requirement until the earlier of (x) the date the next Series of Bonds is issued or (y) the date such amount equals the requirement set forth in clause (i) above.

"Annual Budget" - shall mean the annual budget, as amended or supplemented, for a particular calendar year adopted by the District under the General Bond Resolution as provided in Section 711.

"Annual Debt Service Requirement" - shall mean, at any given time of determination, the maximum amount of Principal Installments and interest coming due on all Bonds Outstanding in any Bond Fiscal Year; provided, however, if the terms of any Bonds are such that interest thereon for any future period of time is to be calculated at a variable rate, then interest on such Bonds for such period shall be computed by assuming that the rate of interest applicable to such period is equal to the average rate of interest (calculated in the manner in which the rate of interest for such period is to be calculated) which would have been in effect for the 12 months immediately preceding the date of calculation.

"Authorized Newspapers" - shall mean a newspaper of general circulation in the service area of the District which meets the requirements of a qualified newspaper as established by law, a daily newspaper of general circulation in Kentucky, and a newspaper or financial journal printed in the English language, customarily published and circulated, for at least five days (other than legal holidays) in each calendar week, in the Borough of Manhattan, City and State of New York, or as otherwise provided by Kentucky law.

"Authorized Officer" - shall mean the Chairman, Secretary, Treasurer and General Manager of the District, and any other of its officers, agents or employees duly authorized by resolution of the District to perform the act or sign the document in question.

"Board" - shall mean and refer to the Board of Commissioners of the District described in KRS 74.020, which is vested and empowered with the management, control and operation of the activities and affairs of the District.

"Bond or Bonds" - shall mean any Water Revenue Bond or Bonds, or the issue of Bonds, as the case may be, authenticated and delivered under the 1992 General Bond Resolution and authorized and issued pursuant to a Series Resolution.

"Bond Proceeds Fund" - shall mean the Fund so designated which is established and created by Section 502.

"Bond Fiscal Year" - shall mean each annual period which begins on January 1 in any year and ends on December 31 in the following calendar year.

"Bondholder," or "Holder," or "Holder of Bonds" or any similar term (when used with reference to Bonds) - shall mean the person in whose name a Bond is registered.

"Certificate" - shall mean a document signed by an Authorized Officer attesting to or acknowledging the circumstances or other matters therein stated.

"Construction" - shall mean and shall include, inter alia, (a) preliminary planning to determine the economic and engineering feasibility of Water Works constituting a part of the District's Public Water System, now or in the future, the engineering, architectural, legal, fiscal and marketing costs in respect thereto, economic investigations and studies necessary thereto, and surveys, designs, plans, working drawings, specifications, procedures and other actions necessary to the construction of Water Works; (b) the erection, building, acquisition, alteration, remodeling, improvement or extension of Water Works; and (c) the inspection and supervision of the construction of Water Works, and all costs incidental to the acquisition and financing of same; and such term shall also relate to and mean any other physical devices or appurtenances in connection with, or reasonably attendant to, Water Works.

"Construction and Acquisition Account" - shall mean, for each Series of Bonds which has one, the account created by Section 502.

"Consulting Engineer of National Recognition" - shall mean and refers to an Engineer or a firm of Engineers, who, by virtue of experience, reputation and ability, bear a reputation in the field of sanitary engineering which is nationally recognized and known, and upon whose professional judgment sophisticated investors rely in connection with securities which are issued for water purposes.

"Costs of Issuance" - shall mean only the costs of issuing a Series of Bonds as designated by the District; including, but not being limited to, the fees and charges of

the financial advisors or underwriters, bond counsel, trustee, rating agencies, bond and official statement printers credit enhancement charges, and such other fees and expenses normally attendant to an issue of Bonds.

"Costs of Issuance Account" - shall mean, for each Series, the respective Account so designated which is established and created pursuant to Section 502.

"Counsel's Opinion" - shall mean an opinion, including supplemental opinions thereto, signed by such attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds and municipal finance as may be selected by the District.

"Debt Service Fund" - shall mean the Fund so designated which is established and created by Section 502.

"Debt Service Reserve" - shall mean the reserve for payment of principal of, interest on, and redemption requirements in respect of the Bonds, created by Section 502.

"Defeasance Obligations" shall mean:

- (a) direct obligations of (including obligations issued or held in book entry form) the United States of America; and
- (b) pre-funded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (1) which are rated, based on the escrow, in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service or any successors thereto; or (2) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (a) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

"Depreciation Reserve Requirement" - shall mean an amount as shall be determined by Engineers to be necessary to balance depreciation and as a reserve for unforeseen major repairs or replacements of the Public Water System.

"District" - shall mean Boone County Water and Sewer District, Boone County, Kentucky, a de jure Water District, duly organized and existing pursuant to the Act, a body corporate and politic and a political subdivision of the Commonwealth of Kentucky.

"Engineer" or "Engineers" - shall mean any firm or firms of consulting engineers who have been or who will be in the future retained by the District for the purpose of preparing plans and specifications for present or future portions of the Public Water System.

"Fiduciary" or "Fiduciaries" - shall mean any Paying Agent, any Registrar, and the depositories of all District funds, or any or all of them, as may be appropriate.

"Interest Payment Date" - shall mean, for each Series, the date upon which interest on the Bonds of such Series shall be payable pursuant to Section 302.

"Improvement, Repair and Replacement Fund" - shall mean the Fund created by Section 502.

"Investment Obligations" - shall mean and include any of the following:

- (a) Direct obligations of or obligations guaranteed by the United States of America;
- (b) Obligations issued by any of the following agencies: Federal Home Loan Bank System; Export-Import Banks; Government National Mortgage Association; Farmers Home Administration; the Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association; and any other Federal Agency to the extent that such obligations are backed by the full faith and credit of the United States (other than as provided in (a) hereof);
- (c) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public housing authorities,

fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(d) U.S. Dollar denominated deposit accounts fully insured to the holder (up to the \$100,000 maximum coverage) by the Federal Deposit Insurance Corporation in commercial banks, and to the extent not so insured (amounts in excess of the \$100,000 maximum coverage), collateralized by obligations described in (a) or (b) above, having at all times a quoted market value at least equal to such uninsured amount plus accrued and undisbursed interest;

(e) General obligations of the Commonwealth of Kentucky;

(f) A pool or fund made up entirely of U.S. Government obligations or obligations guaranteed both as to principal and interest by the U.S. Government; or

(g) Repurchase agreements for U.S. Government Obligations, secured in the same manner as is provided in (d) above for other deposits.

"Issue Date" - shall mean, with respect to Bonds of a particular Series, the date of the Bonds of such Series specified and determined by the Series Resolution authorizing such Bonds.

"KRS" - shall mean and refer to the Kentucky Revised Statutes.

"1992 General Bond Resolution" - shall mean the General Bond Resolution of the District adopted October 13, 1992.

"Notes" - shall mean any obligations issued or to be issued by the District pursuant to the Act to provide funds for any lawful District purposes authorized by the Act in anticipation of the issuance of Bonds.

"Operation and Maintenance Costs" - shall mean, as of any particular date, the District's operating and maintenance expenses and all other expenses of carrying out and administering its Public Water System, and in that regard operating and maintaining its Water Works, and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, upkeep, furnishings, equipment, repair of facilities, insurance premiums, legal, accounting, management, consulting and banking services and expenses, the fees and

expenses of any regulatory agency having jurisdiction of the District and all other items normally considered operation and maintenance costs under generally accepted accounting principles.

"Operation and Maintenance Fund" - shall mean the Fund so designated which is established and created by Section 502.

"Outstanding" - when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or then being authenticated and delivered under the Resolution, except:

(a) Any Bonds cancelled pursuant to the Resolution at or prior to such date;

(b) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust under the Resolution (whether at or prior to maturity or Redemption Date) (i) cash, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or Redemption Date, or (ii) Investment Obligations as defined in clause (a) of the definition of Investment Obligations in such principal amounts, having such maturities and bearing such interest, which, together with cash, if any, shall be sufficient to pay when due, the principal amount or Redemption Price, as the case may be, with interest to the date of maturity or Redemption Date; provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in the General Bond Resolution provided or satisfactory provisions for the giving of such notice shall have been made;

(c) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to the General Bond Resolution; and

(d) Bonds deemed to have been paid as provided in Section 1201.

"Paying Agent" - shall mean any bank or trust company designated, and its successor or successors hereafter appointed, as paying agent for the Bonds of any Series in the manner provided in the General Bond Resolution.

"Person" - shall mean any individual, firm, partnership, association, joint venture, corporation or governmental agency, either State or Federal.

"Pledged Receipts"

- (a) shall mean the totality of Water Revenues;
- (b) shall not mean any State appropriations or Federal Grants specified for use by the District for capital construction purposes in connection with the District's Public Water System; and
- (c) shall also include all interest earned and gains realized on Investment Obligations unless the General Bond Resolution specifically requires such interest earned or gains realized to remain in a particular Fund or Account provided that any interest or gains on funds held in escrow by a trustee for the payment of previously outstanding bonds shall not be included.

"Principal Installment" - for any Bond Fiscal Year shall mean, as of any date of calculation and with respect to any Series so long as any Bonds thereof are Outstanding:

(a) the principal amount of the Outstanding Bonds of said Series which mature in such Bond Fiscal Year, reduced by the aggregate principal amount of such Bonds which would before such Bond Fiscal Year be retired by reason of the payment when due and application in accordance with the General Bond Resolution of Sinking Fund Installments payable before such Bond Fiscal Year for the retirement of such Bonds; plus

(b) the unsatisfied balance of the Sinking Fund Installment, if any, due during such Bond Fiscal Year for the Bonds of such Series.

"Principal Installment Date" - shall mean, for such Series, the date upon which each Principal Installment on the Bonds of such Series shall be payable pursuant to Section 303.

"Public Water System" - shall mean (a) the existing Water Works and water distribution facilities of the District, and (b) all future additions and extensions thereto.

"Redemption Date" - shall mean any date on which Bonds are to be redeemed.

"Redemption Price" - shall mean, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Bond Resolution and the Series Resolution pursuant to which the same was issued.

"Refunding Bonds" - shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 207 and thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the General Bond Resolution.

"Registrar" - shall mean any bank or trust company and its successor or successors, acting as registrar for the Bonds of any Series pursuant to the Series Resolution for said Bonds.

"Revenue Fund" - shall mean the Water Revenue Fund created by Section 502.

"Registrar and Paying Agent Agreement" - shall mean any registrar and paying agent agreement between the District and a bank or trust company that may be authorized by any Series Resolution.

"Serial Bonds and Term Bonds" - shall mean such portion of the Bonds designated as Serial Bonds and Term Bonds in a Series Resolution.

"Series Bonds" - shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the 1992 General Bond Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Series Resolution" - shall mean a resolution of the District authorizing the issuance of a Series of Bonds in accordance with the terms and provisions hereof, adopted by the District in accordance with Section 204.

"Sinking Fund Installment" - for any Bond Fiscal Year, shall mean as of any date of calculation, and with respect to the Outstanding Bonds of any Series, the amount of money required by a Series Resolution to be paid as regular installments of principal for such Bonds by redemption, but does not include any amount payable by the District by reason only of the maturity of a Bond, and said future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment, and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

"Supplemental Resolution" - shall mean any resolution supplemental to or amendatory of the General Bond Resolution adopted by the District in accordance with Article VIII and Article IX.

"Surplus Fund" - shall mean the Fund so designated which is established by Section 502 hereof.

"Water Revenues" - shall mean the totality of all water service rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the District for any services rendered by the Water Works and related facilities of the District, together with other income received by the District, if any, from any agency of government, both federal and state, as representing income or operating subsidies, as distinguished from capital grants, to the extent not otherwise required to be treated and applied and specifically excluding therefrom any funds received which result from assessments or assessment charges.

"Water Works" - shall mean all or any part of any facilities, devices and systems used and useful in the acquisition, storage, treatment, neutralization, pumping, distribution and sale of potable, treated water, storage, distribution and sale of water, including without limiting the generality of the foregoing, sources of water, water mains of all types, pumping stations and other equipment and their appurtenances; extensions, improvements, remodeling, additions and alterations thereof, and any water treatment works, including site acquisition of the land that will be an integral part of the water treatment or distribution process, specifically excluding therefrom any facilities, devices or systems which form a part of the District's sanitary sewer system.

103. Construction of General Bond Resolution. In the Resolution, unless the context otherwise requires:

Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Resolution.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, joint ventures, corporations, or other legal entities including public bodies, as well as natural persons.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this Resolution, refer to this Resolution or Sections or subsections of this Resolution and the term "hereafter" means after the date of adoption of the Resolution.

## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF BONDS

201. Authorization for General Bond Resolution. This General Bond Resolution is adopted pursuant to the Act.

202. General Bond Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall purchase and hold the same from time to time, the provisions of the General Bond Resolution shall be a part of the contract of the District with the Holders of the Bonds and shall be deemed to be and constitute a contract between the District and the Holders from time to time of the Bonds and such provisions are covenants and agreements with such Holders which the District hereby determines to be necessary and desirable for the security and payment thereof. The provisions, covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in the General Bond Resolution.

203. Authorization of Bonds. In order to provide sufficient funds for the Public Water System of the District, Bonds of the District, each to be entitled "Water Revenue Bond, Series \_\_\_\_\_" are hereby authorized to be issued from time to time without limitation as to amount except as provided by the rules, conditions and limitations set out with specificity in the General Bond Resolution, and as may be limited by the Act, and such Bonds shall be issued from time to time subject to the terms, conditions and limitations established in the General Bond Resolution and in one or more Series as hereinafter provided. All Bonds shall rank on a basis of parity and equality with one another as to security and source of payment (except if expressly issued as subordinate obligations), and all Bonds shall be entitled to the benefit of the continuing pledges and liens created by the General Bond Resolution to secure the full and final payment of the principal of or Redemption Price, if any, and interest on the Bonds and any Sinking Fund Installments for the retirement thereof. Subject to any agreements hereafter made with the holders of any other notes or bonds of the District pledging any particular revenues or assets not pledged under the General Bond Resolution, if any, the Bonds shall be special obligations of the District, payable only from income, revenues and funds specifically pledged by the District for the payment of the principal of or Redemption Price, if any, and interest on said Bonds, including the Pledged Receipts. Pursuant to KRS 74.290(3), the Bonds

shall contain on their face a statement that the District is not obligated to pay the principal thereof or the interest thereon except solely from the income and revenues pledged for their payment and that the Bonds do not constitute indebtedness of the District within the meaning of the Constitution of Kentucky.

204. Authorization for Bonds in Series. From time to time when authorized by the General Bond Resolution and subject to the terms, limitations and conditions established in the General Bond Resolution, the District may authorize the issuance of a Series of Bonds upon adoption of a Series Resolution, and the Bonds of any such Series may be issued and delivered upon compliance with the provisions of Article II and Article VIII. The Bonds of each Series shall bear the title "Water Revenue Bonds," and, at the option of the District, such other designation as may be necessary to distinguish them from the Bonds of other Series. Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds, or both. The first Series of Bonds issued pursuant to the Resolution shall effect the refunding of all then outstanding obligations of the District secured by Water Revenues, in order to effectuate the unencumbered pledge of the Pledged Receipts thereafter to the purposes of the Public Water System.

Each Series Resolution authorizing the issuance of a Series of Bonds shall describe in general terms the Construction of Water Works for which Bonds are being authorized, and shall include a determination by the District to the effect that the principal amount of said Series of Bonds is necessary to provide sufficient funds to be used and expended for the Public Water System. Each Series Resolution shall specify and determine:

(1) the authorized principal amount of said Series of Bonds;

(2) the purposes for which each Series of Bonds are being issued, which shall be to provide funds for the purposes authorized by the Act, and in furtherance of the Public Water System, including, inter alia, one or more of the following:

(a) for deposit in the Cost of Issuance Account, any Construction and Acquisition Account and any Refunding Account established for such Series in the Bond Proceeds Fund for purposes for which such Accounts may be used, all as provided in Section 503;

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(b) for the redemption of Bonds and related purposes as provided in and under the conditions and subject to the provisions and limitations of Section 207, if applicable;

(c) for deposit in the Operation and Maintenance Fund, Debt Service Fund or Debt Service Reserve; and

(d) for payment of the principal of or Redemption Price, if any, and interest on any Notes, and in such event, the Series Resolution shall provide for the establishment of a special account into which the proceeds of sale of such Series Bonds in whole or in part shall be deposited in trust for such payments.

(3) the title and designation of, the manner of numbering and lettering, and the denomination or denominations of the Bonds of such Series;

(4) the date or dates of maturity and the amounts thereof and the Issue Date of the Bonds of such Series;

(5) the interest rate or rates or the manner of determining such rate or rates of the Bonds of such Series and the interest payment dates of such Bonds;

(6) the Redemption Price or Redemption Prices and the Redemption Date or Redemption Dates and other terms of redemption (if any) of any of the Bonds of such Series;

(7) the Paying Agent or Paying Agents and the Registrar or Registrars appointed by such Series Resolution for such Bonds, subject to Section 1102, and the authorization of an agreement or agreements therewith;

(8) the portion of such series that are Serial Bonds and that are Term Bonds, if any, including the amount and date of such Sinking Fund Installment, if any, required by such Series Resolution to be paid in any event by the District for the retirement of any of such Bonds of like maturity and interest rate, expressed as an amount payable on a Principal Installment Date of such Bonds sufficient to redeem at the Redemption Price thereof applicable on said date a specified principal amount thereof;

(9) the manner in which Bonds of such Series are to be sold and provisions for the sale thereof; and

(10) any other provisions deemed advisable by the District, not in conflict with or in substitution for the provisions of the General Bond Resolution.

205. Issuance and Delivery of Bonds. After their authorization by a Series Resolution, Bonds of a Series may be executed by or on behalf of the District, and upon compliance by the District with the special requirements, if any, set forth in such Series Resolution and with the requirements of Section 206, such Bonds shall thereupon be issued to or upon the order of the District.

206. Conditions Precedent to Authentication and Delivery of Bonds. Except as permitted by Sections 311 and 312, the Bonds authorized to be issued pursuant to this General Bond Resolution and a Series Resolution shall be issued only upon condition that the following have been executed:

(1) A copy of the General Bond Resolution and the applicable Series Resolution, each certified by an Authorized Officer of the District;

(2) The written order of the District as to the delivery of such Bonds signed by an Authorized Officer describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the purchase price of such Bonds;

(3) A Counsel's Opinion stating that in the opinion of such Counsel the General Bond Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly and lawfully adopted by the District, that the General Bond Resolution and the applicable Series Resolution are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms; that the General Bond Resolution creates the valid pledge which it purports to create subject only to the provisions of the General Bond Resolution permitting the application of the Pledged Receipts for or to the purposes and on the terms and conditions set forth in the General Bond Resolution; and upon the execution, authentication and delivery thereof, that the Bonds of such Series will be duly and validly issued and will constitute valid and binding obligations of the District entitled to the benefits of the General Bond Resolution and such applicable Series Resolution;

(4) A written order of the District signed by an Authorized Officer directing the deposit in the Debt Service Reserve of so much of the proceeds of

the Bonds to be issued, upon their issuance, sale and delivery, as may be required to increase the aggregate amount then held in said Fund to the Aggregate Debt Service Reserve Requirement; provided that the District may obtain, in lieu of such deposit, a Debt Service Reserve Guaranty as permitted under Section 506 hereof;

(5) Except in the case of an issue of Refunding Bonds, a certificate of an Authorized Officer of the District stating that the District is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution;

(6) Such further documents, as are required by the provisions of this Section, Section 207, or Article VII or VIII or any Supplemental Resolution adopted pursuant to Article VIII; and

(7) As a further condition, such moneys and securities as are required by the provisions of this Section, Section 207, or Article VII or VIII or any Supplemental Resolution adopted pursuant to Article VIII.

207. Provision for Refunding Issue. (1) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of the Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, this Section and of the Series Resolution authorizing said Series of Refunding Bonds.

(2) The Bonds of the Series of Refunding Bonds may be authenticated and delivered only upon receipt by the appropriate Fiduciary or Fiduciaries (in addition to the receipt by it or them of the documents required by Section 206) of:

(a) Irrevocable instructions to the Paying Agent and to the Registrar in respect of the Bonds to be Refunded, satisfactory to each of them, to give due notice of redemption of all the Bonds to be refunded on the Redemption Date specified in such instructions;

(b) Irrevocable instructions to the Paying Agent and to the Registrar in respect of the Bonds to be Refunded, satisfactory to each of them, to give due notice provided for in Section 1201 to the Holders of Outstanding Bonds being refunded;

(c) Either:

(i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be Refunded, together with accrued interest on such Bonds to the Redemption Date, which moneys shall be held by any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of Outstanding Bonds being refunded, or

(ii) Defeasance Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of subsection (2) of Section 1201 and any moneys required pursuant to said subsection (with respect to all Outstanding Bonds or any part of one or more Series of Outstanding Bonds being refunded) which Defeasance Obligations and moneys shall be held in trust and used only as provided in said subsection; and

(d) A Certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of this subsection, and the Paying Agent shall be entitled to rely on such Certificate.

(3) The appropriate Paying Agent in respect of the Bonds to be refunded shall furnish to the District at the time of delivery of the Series of Refunding Bonds a certificate stating that it holds in trust the moneys and/or Investment Obligations required to effect such redemption on the date specified in such Series Resolution.

(4) Any balance of the proceeds of the Bonds of each such Series shall be deposited in such Funds or Accounts as shall be specified in the Series Resolution authorizing such Series of Refunding Bonds.

(5) Any moneys received by the District from any source, which receipt is conditioned upon the District using such moneys for the redemption of any Outstanding Bonds shall be deemed to be and treated as the proceeds of a Series of

Refunding Bonds and the District shall deliver to the Paying Agent and Registrar the documents and moneys or obligations required by the provisions of clauses (a), (b) and (c) of subsection (2) hereof and shall do all other acts and things necessary to accomplish the redemption of such Bonds, in accordance with applicable provisions of this Section.

### ARTICLE III

#### GENERAL TERMS AND PROVISIONS OF BONDS

301. Date of Bonds. Each Bond shall be dated as of, and bear interest from, its Issue Date except as otherwise provided in Section 304.

302. Interest Payment Dates. Interest on each Bond shall be payable as provided in the Series Resolution authorizing such Bonds.

303. Principal Installment Dates. The date when each Principal Installment with respect to a Series of Bonds is payable shall be as provided in the Series Resolution authorizing such Bonds.

304. Medium of Payment; Form and Date. The Bonds shall be payable, with respect to principal or Redemption Price, if any, and interest, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest on the Bonds shall be payable by check or draft mailed to the Holders by first class mail on the applicable interest payment date. The Bonds of each Series shall be issued in the form of fully registered Bonds without coupons.

Bonds of each Series shall be dated as of the date specified in the Series Resolution authorizing the issuance thereof. Bonds of such Series issued prior to the first interest payment date thereof shall be dated as of the date specified in the Series Resolution authorizing the issuance thereof. Bonds issued on or subsequent to the first interest payment date shall be dated as of the date six months preceding the interest payment date next following the date of delivery thereof, unless such date of delivery shall be an interest payment date, in which case they shall be dated as of such date of delivery; provided, however, that if, as shown by the records of the Paying Agent, interest on the Bonds of any Series shall be in default, the Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered. Bonds of each Series shall bear interest from their date.

305. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the District prior to the delivery thereof.

306. Execution. The Bonds shall be executed in the name and on behalf of the District by the manual or facsimile signature of the Chairman of the Board of Commissioners of the District and the corporate seal of the District (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of the District Secretary or Treasurer. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officers before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the District by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in the District, although at the date of the Bonds of such Series such persons may not have been so authorized or have held such office.

307. Negotiability and Registration. All the Bonds issued under this General Bond Resolution shall be negotiable as provided by the Act, subject to the provisions for registration and transfer contained in this General Bond Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Registrar shall maintain and keep books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose to the Registrar, the Registrar shall register or cause to be registered therein, and permit to be transferred thereon any Bond entitled to registration or transfer under such reasonable regulations as it or the District may prescribe.

308. Transfer of Bonds. Each Bond shall be transferable only upon the books of the Registrar, which shall be kept for the purpose at the principal office of the Registrar, at the request of the Holder thereof or by his authorized attorney upon surrender thereof together with an assignment satisfactory to the appropriate Registrar duly executed by the Holder or his duly authorized attorney. Upon the transfer of any such Bond, the District shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond.

The District and any Fiduciary may deem and treat the person in whose name any Outstanding Bond shall be registered upon the books of the District as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if any, of and interest on, such Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the District nor any Fiduciary shall be affected by any notice to the contrary. The District agrees to indemnify and save any Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such Holder.

309. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of transferring Bonds is exercised, the District shall execute and deliver Bonds in accordance with the provisions of the General Bond Resolution. All Bonds surrendered in any such transfers shall forthwith be cancelled. The Registrar shall not be obligated to make any such transfer of Bonds of any Series during the fifteen days next preceding an Interest Payment Date on the Bonds of such Series or, in the case of any proposed redemption of Bonds of such Series, next preceding the date for providing notice of such redemption.

310. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District shall execute and deliver a new Bond of like Series, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond, or in lieu of and in substitution for the Bond, destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Registrar that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and the District with indemnity satisfactory to each of them and complying with such other reasonable regulations as the Registrar and the District may prescribe and paying such expenses as the Registrar and the District may incur in connection therewith. All Bonds and so surrendered to the Registrar shall be cancelled by it.

311. Preparation of Definitive Bonds; Temporary Bonds. The definitive Bonds of each Series shall be lithographed or printed on steel engraved borders. Until the definitive Bonds of any Series are prepared, the District may execute, in the same manner as is provided in Section 306, and deliver, in lieu of definitive Bonds, but subject to the same

provisions, limitations and conditions as the definitive Bonds, one or more temporary Bonds (which may be registrable as to principal and interest), substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations of \$5,000 or any multiple thereof authorized by the District, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The District at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation, without charge to the Holder thereof, deliver in exchange therefor, at the principal office of the appropriate Registrar, definitive Bonds, of the same aggregate principal amount and series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled.

312. Form of Bonds. The form of Bonds issued under this General Bond Resolution shall be such form or forms prescribed by the applicable Series Resolution.

313. Parity Bond Provisions. From and after the issuance and delivery of any of the Bonds authorized or permitted to be issued by this General Bond Resolution, said General Bond Resolution shall constitute the sole and exclusive method for the issuance of any Bonds by the District, and any further Series of Bonds of the District payable from the Pledged Receipts shall be authorized and issued solely pursuant to authority of this General Bond Resolution.

Except as may be provided in a Series Resolution, the Bonds authorized to be issued by this General Bond Resolution and from time to time outstanding, together with any additional Bonds ranking on a parity therewith issued under the conditions and restrictions of this section, shall not be entitled to priority one over the other in the application of the Pledged Receipts or the security for payment thereof, regardless of the time or times of their issuance it being the intention that there shall be no priority among such Bonds regardless of the fact that they may be actually issued and delivered at different times.

Said District hereby reserves the right and privilege of issuing additional Series of Bonds from time to time payable from the Pledged Receipts of the Public Water System on a basis of parity and equality with all other parity Bonds authorized to be issued by this General Bond Resolution in order to (a) reconstruct, repair and improve the District's Public Water System; (b) make, acquire, construct and install additions,

extensions, betterments, or improvements thereto; (c) acquire existing waterworks and water distribution systems from any person, if said waterworks and water distribution systems are revenue-producing; and (d) refund any bonds outstanding, provided in each instance that:

(i) the facility or facilities to be acquired, constructed, reconstructed or improved from the proceeds of the additional parity Bonds is or are made an integral part of the District's Public Water System and its or their income and revenues are pledged as additional security for the additional parity Bonds and the outstanding Bonds;

(ii) the District is in compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the Pledged Receipts; and

(iii) the net annual income and revenues of the Public Water System for a period of twelve (12) consecutive months of the fifteen (15) months immediately prior to the issuance of said parity Bonds, are certified in writing by an independent firm of state-licensed Certified Public Accountants (subject to adjustments as hereinafter provided) to have been equal to at least one and twenty-five hundredths (1.25) times the maximum Annual Debt Service Requirement coming due in any future Bond Fiscal Year on all Bonds outstanding payable from Pledged Receipts, together with the parity Bonds then to be issued.

The words "net annual income and revenues" as used in this Section are defined as Pledged Receipts less Operation and Maintenance Costs for the same period.

With reference to the requirements of subparagraph (iii) of this Section 313, the amount of Pledged Receipts, and the "net annual income and revenues" of the Public Water System as that term is herein defined, may be adjusted in writing by a firm of independent state-licensed Certified Public Accountants, which firm shall be the firm performing the certification required by subparagraph (iii) of this Section 313, to reflect and take into account for the historical period being tested, any revision in the schedule of water rates, rentals and charges either (i) being actually imposed and billed by the District at the time of issuance of such additional parity Bonds, or (ii) approved by the Public Service Commission of Kentucky or its successor at the time of issuance of such additional parity Bonds, and, (iii) where bonds are refunded, the additional available "net income and revenues" of the Public Water System released as a result thereof.

The amount of Pledged Receipts and the "net annual income and revenues" of the Public Water System, as that term is herein defined, may also be adjusted in writing by a Consulting Engineer of National Recognition, to take into account and reflect for the historical period being tested, the amount of additional net income and revenues to be realized by the District by virtue of the acquisition by the District of existing and operating waterworks and water distribution facilities. A further adjustment may be made by adding thereto an estimate of the said engineer of the increase in operating revenues anticipated to be derived from the additions, extensions, replacements and betterments to be financed by the additional bonds then being authorized, for the first twelve months following issuance of said bonds, less said engineer's estimate of any additional expenses of operation and maintenance during said twelve months. Additionally, an adjustment thereunder may take into consideration revenues to be generated by virtue of contractual relationships between the District and other municipal corporations or other entities, either governmental or private, which contracts must extend for the life of the Bonds, where such income and revenues are historically determinable, for the period being tested, namely, 12 consecutive months of the 15 months immediately prior to issuance of parity bonds. Provided, however, that any such adjustment by such Consulting Engineer of National Recognition shall take into account only such income and revenues as would have been derived during the historical period being tested had the valid and lawful schedule of rates, rentals and charges of the District which is in effect at the time of issuance of parity Bonds been charged during such historical period being tested, and such adjustments shall also take into account all Operations and Maintenance Costs for such historical period being tested.

The District hereby covenants and agrees that in the event additional Series of parity Bonds are issued, it shall:

(a) adjust the monthly deposits into the Debt Service Fund on the basis prescribed in the Resolution to reflect the Annual Debt Service on the additional parity Bonds; and

(b) adjust the prescribed amount to be accumulated in the Debt Service Reserve in accordance with the provisions of the Resolution (the "Aggregate Debt Service Reserve Requirement"), and fund from such parity Bonds said additional Debt Service Reserve Requirement pursuant to the prescribed formula.

The additional parity Bonds (sometimes herein referred to as "permitted" to be issued) the issuance of which is herein conditioned and restricted, shall be understood to mean Bonds payable from the Pledged Receipts on a basis of parity and

equality with the Bonds initially issued pursuant to the Resolution, and shall not be construed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the Bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged and not ranking on a basis of equality and parity with the Bonds and parity Bonds herein otherwise described, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions, betterments, extensions or improvements of the Public Water System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the said Bonds and parity Bonds herein authorized and permitted to be issued. In the event any of such subordinate lien securities are issued, the District reserves the right to authorize and issue subordinated Bonds to refund same.

Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized Bonds and/or of any Bonds which may be issued and are outstanding under any of the provisions of the Resolution if such refunding does not operate to increase amortization requirements in any year to and including the final maturity of Bonds outstanding and not to be refunded, if any.

314. Notes and Other Obligations. (1) The District may, at any time or from time to time, issue notes, bonds and other obligations having such terms and provisions and secured by a pledge of such funds as the resolution authorizing the same shall provide; provided, however (except as otherwise provided in subsection (2) of this Section), that any pledge of any Fund or Account created under this General Bond Resolution to the holders of any such notes, bonds or other obligations shall be, and shall be expressed to be, subordinate in all respects to the pledge created under this General Bond Resolution for the benefit of the holders of Bonds issued under this General Bond Resolution.

(2) Whenever the District shall have authorized or made provision for the authorization of, the issuance of a Series of Bonds, the District may by resolution authorize the issuance of Notes in anticipation of the sale of such Series in a principal amount not exceeding the principal amount of such Series. The principal or any interest on such Notes and renewals thereof shall be payable from other moneys of the District available therefor and not pledged under this General Bond Resolution, including, but not by way of limitation, Investment Obligations purchased from Note proceeds. The

principal on such Notes shall also be payable from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued. Such proceeds may be pledged for the payment of the principal of such Notes and any such pledge shall have priority over any other pledge created by this General Bond Resolution. The proceeds of sale of such Notes shall be applied to the purposes for which such Notes are authorized, and, if the resolution or resolutions authorizing such Notes so provide, to the payment of interest and other costs in connection with the sale and issuance of such Notes.

#### ARTICLE IV

##### APPLICATION OF BOND PROCEEDS

401. Application of Bond Proceeds. (1) All proceeds of the Bonds of any Series to be issued, upon their issuance, sale and delivery, shall be deposited in to the applicable Funds of Accounts specified, in accordance with the provisions of the Series Resolution authorizing the issuance of the Bonds of such Series. Such proceeds shall be applied solely for purposes for which amounts in said Funds or Accounts, respectively, may be applied in accordance with the provisions of the Series Resolution and the General Bond Resolution.

(2) Accrued interest and capitalized interest, if any, received upon delivery of any Series of Bonds shall be deposited in the Series Interest Account of the Debt Service Fund. The amount, if any, received as a premium over the principal amount of any Series of Bonds upon delivery of such Series shall be applied as provided in the Series Resolution authorizing such Series.

#### ARTICLE V

##### ESTABLISHMENT OF FUNDS AND ACCOUNTS APPLICATION OF PLEDGED RECEIPTS

501. The Pledge Effected by the General Bond Resolution. (1) There are hereby pledged for the payment of the principal of or Redemption Price, if any, and interest on the Bonds, and the Sinking Fund Installments for the retirement thereof, in accordance with their terms and the provisions of the General Bond Resolution, subject only to the provisions of the General Bond Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth in the General Bond Resolution, (a) the proceeds of sale of the Bonds to the extent not required to be utilized for payment of Notes, (b) Investment Obligations acquired by Bond

proceeds or by application of funds derived from Water Revenues, (c) the Pledged Receipts, and (d) all Funds created and established pursuant to the General Bond Resolution, including Accounts thereof and moneys and securities therein.

(2) The proceeds of sale of the Bonds, the Investment Obligations, the Pledged Receipts and all Funds created and established pursuant to the General Bond Resolution, including Accounts thereof created and established pursuant to the General Bond Resolution and moneys and securities therein, hereby pledged, shall immediately be subject to the lien of the pledge of Section 501 without any physical delivery thereof or further act, and the lien of said pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice thereof.

502. Transition of Funds and Accounts for Outstanding Bonds into Funds and Accounts for Bonds Authorized by this Resolution. The District has heretofore formally established and created the following special trust funds:

- (1) Water Revenue Fund
- (2) Water Revenue Bond and Interest Redemption Fund
- (3) Bond Reserve Fund
- (4) Operation and Maintenance Fund
- (5) Depreciation and Extension Fund.

Upon the defeasance of the Outstanding Bonds, the above-identified funds shall become Funds and Accounts for Bonds authorized hereunder, identified in corresponding order, as follows:

- (1) Water Revenue Fund
- (2) Debt Service Fund  
Interest Account  
Principal Account
- (3) Debt Service Reserve
- (4) Operation and Maintenance Fund
- (5) Improvement, Repair and Replacement Fund.

There shall further be established a Surplus Fund hereunder.

The above identified Funds and the Accounts thereof and the Bond Proceeds Fund hereinafter created shall be held and maintained by the District in financial institutions (being hereinafter sometimes referred to as "depositories," and each being a Fiduciary as defined in the General Bond Resolution) from time to time appointed by the District in a Series Resolution or by other action of the District.

503. Bond Proceeds Fund. (1) There is hereby created the Bond Proceeds Fund-General Bond Resolution (the "Bond Proceeds Fund"). The District shall establish and create within the Bond Proceeds Fund, beginning with the issue of the first Series Bonds hereunder, a separate (a) Cost of Issuance Account, and a separate (b) Construction and Acquisition Account, for each Series of Bonds Outstanding, (provided, that in the event that Bond proceeds are to be used in whole or in part for the payment, or provision therefor, of outstanding debt obligations, a different suitable name and purpose for such separate account may be employed such as "                     Refunding Account") and shall identify each separate Account by inserting in the designation therefor the year, letter or other designation of the Bonds of such Series.

(2) There shall be deposited from time to time in the Cost of Issuance Account established for each Series the amount of moneys necessary to pay the costs of issuance of such Series from either:

(a) the proceeds of the Bonds of such Series as specified and determined in the Series Resolution authorizing the issuance of such Series, or

(b) moneys from time to time received by the District from any other source, and determined by the District to be deposited in such Account, unless required to be otherwise applied as provided by the Resolution.

To the extent not otherwise provided for, the Cost of Issuance of a Series of Bonds shall be paid only from the moneys credited to the Cost of Issuance Account established for such Series of Bonds.

(3) The depository shall from time to time pay out, or permit the withdrawal, of moneys credited to any Cost of Issuance Account, free and clear of any lien or pledge or assignment in trust created by this Article, for the purpose of paying in the manner herein authorized any Costs of Issuance of the Bonds of the Series for which such Account was established, upon receipt by said depository of a check or other bill of exchange drawn upon such Account, signed by an Authorized Officer stating with respect to each payment to be made:

- (a) the item for which payment is to be made,
- (b) the name of the person or party to whom the payment is to be made, and
- (c) the amount to be paid.

(4) Upon receipt of a Certificate signed by an Authorized Officer to the effect that all Costs of Issuance of the applicable Series of Bonds have been paid, the depository, upon such direction of the District, taken by similar action, shall transfer any moneys remaining in said Cost of Issuance Account to the Construction and Acquisition Account established for such Series.

(5) Upon the deposit of the proceeds of the Bonds of a Series or other moneys in the manner hereinabove prescribed in any Cost of Issuance Account, the District shall direct the depository to invest and reinvest the moneys in said identified Account in Investment Obligations, so that the maturity date or date of redemption at the option of the holder of such Investment Obligations shall coincide as nearly as practicable with the times at which moneys are needed by the District to be expended. The Investment Obligations purchased shall be physically held by the depository and shall be deemed at all times to be part of such Cost of Issuance Account and the depository shall deliver to the District a safekeeping certificate as to the identity and amount of all such investments. The District shall sell at the best price obtainable or present for redemption, any obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment from the Cost of Issuance Account.

(6) There shall be deposited into the applicable Construction and Acquisition Account, such amounts of the proceeds of the Bonds of any Series required to be deposited therein as shall be specified and determined by the Series Resolution authorizing such Series of Bonds, in accordance with and subject to the provisions of Article IV.

(7) Moneys credited to the Construction and Acquisition Account shall be expended only for the payment of Construction costs of the Public Water System subject to the provisions and restrictions of this Section.

(8) Except as may be expressly limited by the purposes for which a Series of Bonds is issued as set forth in the Series Resolution authorizing such Series, amounts in any Construction and Acquisition Account shall be expended and applied by the depository upon issuance of a check or other bill of exchange drawn upon such Account, signed by an

Authorized Officer. Such checks shall be issued in connection with the Public Water System work for which such Series of Bonds is issued, in order to make disbursements required to be made by the District pursuant to the terms and provisions of construction and acquisition contracts to which the District is a party relating to the District's Public Water System. The District shall keep and maintain complete and detailed records with respect to said Construction and Acquisition Account.

(9) Upon the deposit of the proceeds of the Bonds of a Series or other moneys in the manner hereinabove prescribed in the Construction and Acquisition Account, the District shall invest and reinvest the moneys in said Account in Investment Obligations so that the maturity date or date of redemption at the option of the holder of such Investment Obligations shall coincide as nearly as practicable with the times at which moneys are required by the District to be expended on account of construction and acquisition contracts in respect of the Public Water System. All Investment Obligations purchased shall be physically held in the custody of the depository and shall be deemed at all times to be part of such Construction and Acquisition Account, and the depository shall deliver to the District a safekeeping certificate as to the identity and amount of all such investments. The District shall, by order signed by an Authorized Officer, sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any authorized payment from such Construction and Acquisition Account.

(10) The District shall from time to time pay out or permit the withdrawal of moneys from any Construction and Acquisition Account for the purpose of making disbursements and payments to contractors, material suppliers, fabricators and others rendering services pursuant to the Public Water System, pursuant to the terms of contracts between the District and such persons upon issuance of a check or other bill of exchange drawn upon such Account signed by an Authorized Officer, accompanied by a written voucher executed by the Engineers, which voucher shall contain the following with respect to each payment or disbursement to be made:

(a) the name of the person or party to whom the payment or disbursement is to be made;

(b) the amount to be paid to such person or party;

(c) the applicable construction, acquisition or service contract in respect of which the payment or disbursement is to be made;

(d) that with respect to such requested payment or disbursement there has not been filed with or served upon the District notice of any lien or attachment upon, or claim affecting the right to receive, payment of any of the amounts requisitioned and payable to any of the persons, firms, or corporations named in such requisition which has not been released or will not be released simultaneously with such payment;

(e) that such requisition for payment contains no item representing payment on account of any retained percentages of Construction cost which the District is at the date of such requisition entitled to retain;

(f) that in connection with such requisition for payment, the District has received such proofs as are properly required by the District to the effect that each obligation set forth in said requisition for payment has been (i) properly incurred, and (ii) is then due and unpaid; and (iii) that insofar as such obligation was incurred for work, services materials, equipment or supplies, such work or services was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the Construction of the Public Water System, or were delivered at the site or sites of the Public Water System for such purposes.

(11) All such written checks or bills of exchange (requisitions) of the District signed by an Authorized Officer and conforming to subsection (1) above received by the depository as herein set forth may be relied upon by and shall be retained in the possession of the depository, subject at all times to the inspection of the District and its officials.

(12) At such times as all moneys due to be disbursed from any Construction and Acquisition Account have been so disbursed and paid, and the depository has received (a) a Certificate executed by an Authorized Officer stating that completion of the designated portion of the Public Water System authorized by the specified Series of Bonds has occurred, which Certificate shall be accompanied by (b) an opinion of legal counsel for the District stating that there are no uncalled mechanics', laborers', contractors' or materialmens' liens on file in any public office where the same should be filed in order to be valid liens against any part of any Water Works constructed by the District, and that in the opinion of said legal counsel the time within which such liens can be filed has expired, the balance in such Construction and Acquisition Account shall thereupon be transferred by the depository to the

Debt Service Fund, or upon the filing of a Certificate by such Authorized Officer to the effect that further Series of Bonds are due to be issued within a reasonable time, may be held in said Account. Provided, further, that the District, by Certificate executed by such Authorized Officer, may direct the depository to pay and transfer such remaining balance to any other Construction and Acquisition Account created in connection with the Public Water System.

504. Water Revenue Fund. (1) The District shall cause all moneys received as Pledged Receipts, together with income from the Debt Service Reserve pursuant to Section 506(5) hereof, to be deposited promptly into the Water Revenue Fund.

(2) To the extent moneys are received by the District representing any legislative appropriation or grant, federal or state, for purposes of deposit to the Water Revenue Fund, the Debt Service Fund or the Debt Service Reserve, or for the defrayal of Operation and Maintenance Costs, such funds shall be promptly transmitted by the District to the appropriate depository for deposit to the Fund or Account so specified.

(3) The District shall cause all moneys received as such income and revenues, and as such Pledged Receipts as set forth in the statement of account, to be transferred from the Water Revenue Fund and deposited to the following Accounts and Funds on no less than a monthly basis (except for item SIXTH) in the amounts hereinafter stated and in the prescribed sequence:

FIRST: Into the Interest Account within the Debt Service Fund an amount equal to (i) the interest on all Outstanding Bonds accrued and unpaid in respect of the next Interest Payment Date, or to reimburse a credit provider for its direct payment of such interest under an agreement with such credit provider, (ii) divided by the number of months preceeding the next Interest Payment Date.

SECOND: Into the Principal Account within the Debt Service Fund such an amount equal to (i) the Principal Installments accrued and unpaid in respect of the next Principal Installment Date, or to reimburse a credit provider for its direct payment of such principal under an agreement with such credit provider, (ii) divided by the number of months preceeding the next Principal Installment Date.

THIRD: Into the Debt Service Reserve such amount as may be required to comply with the requirements of Section 506(2) and Section 506(7).

FOURTH: Into the Operation and Maintenance Fund, (i) the amount of moneys needed and required prior to the tenth day of the succeeding month to pay reasonable and necessary

Operation and Maintenance costs in accordance with the Annual Budget (the "Monthly Requirement") together with (ii) such proportionate amounts as will, during the twenty-four months following the issuance of any Series of Bonds, together with sums then on deposit in said Fund, equal estimated and budgeted Operation and Maintenance Costs for one (1) month, such additional sums to be held as an operational reserve and expended as required, subject to replacement in the same manner, if so expended.

FIFTH: If at any time the amount in the Improvement, Repair and Replacement Fund is less than the Depreciation Reserve Requirement, there shall be deposited into the Improvement, Repair and Replacement Fund, on no less than a monthly basis, an amount equal to 1/24th of such deficiency so that the balance in the Improvement, Repair and Replacement Fund will equal the Depreciation Reserve Requirement in the month that is twenty-four months from the month such deficiency first existed. Thereafter such monthly payments may cease for so long as the required balance in the Improvement, Repair and Replacement Fund is maintained and such monthly payments shall resume again if at any time said balance is less than the Depreciation Reserve Requirement and shall continue until said balance is established.

SIXTH: On a periodic basis, but no less frequently than annually, the revenues remaining in the General Revenue Fund at the end of the month, or, in the case of annual transfers, the preceding calendar year, after making the payments required by paragraphs FIRST to FIFTH, inclusive, hereof, including any balances to be accrued and maintained, may be transferred to the Surplus Fund.

(4) Moneys in the Water Revenue Fund shall be invested by the District, in Investment Obligations maturing no later than the tenth (10th) day of the month next succeeding the month that the depository last made deposits as provided in subsection (3) hereof, and except for such investments, shall be used only to make the deposits as provided for in this Section. All investments made by the District in any Fund or Account created by this General Bond Resolution shall be made upon written order issued by an Authorized Officer.

505. Debt Service Fund. (1) The Debt Service Fund shall be maintained by the District in the appropriate depository so long as any of the Bonds authorized or permitted to be issued by this General Bond Resolution remain outstanding; and all moneys deposited in the Debt Service Fund from time to time shall be used, disbursed and applied, and are irrevocably pledged solely for the purpose of paying the principal of, interest on, and Sinking Fund installments in respect of all Bonds as may be issued and outstanding from time

to time pursuant to the provisions of this General Bond Resolution. Funds in the Debt Service Fund may, from time to time, at the option of the District, be used and employed to purchase sufficient term Bonds, if any be outstanding, to satisfy a Sinking Fund installment due within the next succeeding twelve (12) months. The District shall direct the depository to, and the depository shall, pay out of the Interest Account to any Paying Agents for any of the Bonds (a) on the day preceding each Interest Payment Date, the amounts required for the payment of interest on the Outstanding Bonds due on such date, and (b) on the date preceding the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments.

(2) The District may invest the moneys in the Interest Account in Investment Obligations so that the maturity date or date of redemption at the option of the holder shall be on or before the Interest Payment Date next succeeding the date upon which such investment is made.

(3) The District shall direct the depository to, and the depository shall, pay out of moneys credited to the Principal Account to the respective Paying Agents on the day preceding each Principal Installment Date for any of the Outstanding Bonds, the amounts required for the payment of principal due on such date and such amounts shall be applied by the Paying Agents to such payments.

(4) The amount accumulated in the Principal Account for each Sinking Fund Installment may, at the option of the District, be applied (together with amounts accumulated in the Interest Account with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the District prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Installment, as follows:

(a) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable from Sinking Fund Installments for such Bonds when such Bonds are redeemable by application of said Sinking Fund Installments, plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the District shall determine, or

(b) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in Clause (a) above.

As soon as practicable after the forty-fifth (45th) day preceding the due date of any such Sinking Fund Installment, the District shall proceed to call for redemption, pursuant to Section 603, on such due date, Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Bonds of such Series and maturity. The District shall so call such Bonds for redemption whether or not it then has moneys in the Principal Account sufficient to pay the applicable Redemption Price thereof, to the Redemption Date. The District shall direct the depository to, and the depository shall, pay out of such Principal Account to the appropriate Paying Agents, on the day preceding each such Redemption Date, the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(5) The District may invest the moneys in the Principal Account in Investment Obligations so that the maturity date or date of redemption at the option of the holder shall be on or before the Principal Installment Date next succeeding the date when such investment is made.

(6) Amounts remaining in the Interest Account on any Interest Payment Date, or in the Principal Account on any Principal Installment Date may, to the extent not needed to pay interest and Principal Installments, respectively, be transferred to the Water Revenue Fund.

506. Debt Service Reserve. (1) There shall be deposited to the credit of the Debt Service Reserve (a) all Pledged Receipts from the Water Revenue Fund required to be deposited therein by this General Bond Resolution, (b) all moneys received on account of or in connection with Investment Obligations credited to the Debt Service Reserve as in this Section provided, and (c) all Bond proceeds required by Series Resolution to be deposited in said Debt Service Reserve.

(2) The Debt Service Reserve is pledged to and shall be used for the payment of principal of, interest on, and Redemption Price, if any, in respect of any Outstanding Bond as to which there would otherwise be a default in payment, and sums in the Debt Service Reserve shall be transferred to other Funds and Accounts in a timely manner upon due certification as provided in subsection (3) of this Section 506 in order to effectuate the intent of this Section and the purposes of the Debt Service Reserve. In the event that amounts in the Debt Service Reserve are reduced below the Aggregate Debt Service Reserve Requirement as a result of transfers to the Debt Service Fund, the deficiency in the Debt Service Reserve shall

be cured from the first available revenues by making monthly deposits to the Debt Service Reserve in equal amounts so that such deficiency is eliminated upon making twenty-four (24) such deposits.

(3) The District shall cause the depository from time to time to transfer or pay out moneys in the Debt Service Reserve for the purpose of making payments and transfers to other Funds and Accounts pursuant to subsection (2) hereof upon receipt by said depository of a check or other bill of exchange executed by an Authorized Officer stating with respect to each payment or transfer to be made:

(a) the Account or Fund to which the payment or transfer is to be made,

(b) the purpose of the payment or transfer, and

(c) the amount to be paid.

(4) Sums from time to time in the Debt Service Reserve shall be continuously invested upon direction of the District, in Investment Obligations. The District shall sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to effectuate the purposes of the Debt Service Reserve.

(5) Any interest earned or sums realized as a result of investment of moneys in the Debt Service Reserve in Investment Obligations shall accrue to, and be a part of, said Debt Service Reserve; provided, however, that so long as the Debt Service Reserve contains the Aggregate Debt Service Reserve Requirement, any such interest earned or sums realized shall be transferred, as received, to the Water Revenue Fund.

(6) In lieu of the deposit of funds in the Debt Service Reserve, the District may obtain a Debt Service Reserve Guaranty. Any Debt Service Reserve Guaranty shall be considered a deposit of funds in the Debt Service Reserve equal to the Debt Service Reserve Coverage provided by the Debt Service Reserve Guaranty Agreement.

As conditions precedent to delivery of a Debt Service Reserve Guaranty, the District shall obtain (i) a Debt Service Reserve Guaranty, (ii) an opinion of counsel addressed to the District stating that the delivery of such Debt Service Reserve Guaranty to the District is authorized under the General Bond Resolution, as amended, and complies with the terms thereof, and (iii) written evidence from a Rating Agency, if the Bonds are rated by such Rating Agency, that the Rating Agency has reviewed the proposed Debt Service Reserve Guaranty and that

(x) the issuance of the Debt Service Reserve Guaranty to the District and (y) if a Debt Service Reserve Guaranty is then in effect with respect to the Debt Service Reserve, the substitution of the proposed Debt Service Reserve Guaranty for the Debt Service Reserve Guaranty then in effect, will not, by itself, result in a reduction or withdrawal of its rating on the Bonds. If the Bonds are insured by a bond insurer, the references to Rating Agency in the prior sentence shall be read to mean such bond insurer and the substitution of the proposed Debt Service Reserve Guaranty shall not result in the cancellation of the bond insurance provided by such Bond Insurer.

"Debt Service Reserve Guarantor" means the issuer of a Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty" means a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of the Debt Service Reserve Guarantor to pay to the District upon request made by the District up to an amount stated therein for application as provided in this Section 506.

"Debt Service Reserve Guaranty Agreement" means the reimbursement agreement, loan agreement or similar agreement between the District and a Debt Service Reserve Guarantor with respect to repayment of amounts advanced under the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Coverage" means the amount available at any particular time to be paid to the District under the terms of the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Limit" means the maximum aggregate amount available to be paid to the District under the terms of a Debt Service Reserve Guaranty.

"Rating Agency" means either Moody's Investors Service or Standard & Poor's Corporation, both corporations and organized under the laws of the States of Delaware and New York, respectively, and their successors and assigns.

(7) Unless the Debt Service Reserve is funded as provided in clause (6) above, the value of Investment Obligations, as determined in accordance with Section 510, shall be calculated at least annually, and any deficiency recognized by such valuation shall be cured from the first available Water Revenues.

507. Operation and Maintenance Fund. (1) The Operation and Maintenance Fund shall be used to pay the reasonable expenses of operating, maintaining and repairing the

Public Water System and for paying Operation and Maintenance Costs. There shall be paid into the Operation and Maintenance Fund the amounts required to be so paid by the provisions of Section 504, and there may be paid into the Operation and Maintenance Fund any moneys received by the District from any other source, unless required to be otherwise applied as provided by this General Bond Resolution.

(2) Subject to the provisions and requirements of subsection (3) of Section 504, moneys in the Operation and Maintenance Fund shall be withdrawn and paid out from time to time by the District for the purpose of paying reasonable or necessary Operation and Maintenance Costs and when so withdrawn and paid out shall be free and clear of any lien, pledge or assignment in trust created by this General Bond Resolution, provided, however, the District may at any time withdraw moneys from the Operation and Maintenance Fund and deposit such moneys into any other Funds or Accounts created by this General Bond Resolution, other than the Improvement, Repair and Replacement Fund.

(3) Amounts in the Operation and Maintenance Fund may, in the discretion of the District, be invested in Investment Obligations maturing in such amounts and at such times as may be necessary to provide funds when needed to pay Operation and Maintenance Costs. The District may, and to the extent required for payments from the Operation and Maintenance Fund shall, sell at the best price obtainable, or duly present for redemption, any such Investment Obligations at any time, and the proceeds of such sale and of all payments at maturity and upon redemption of such Investment Obligations shall be held in the Operation and Maintenance Fund and unless otherwise transferred or expended pursuant to the provisions of this Section shall be applied to reduce the next succeeding Monthly Requirement.

508. Improvement, Repair and Replacement Fund. (1) The Improvement, Repair and Replacement Fund shall be available and shall be utilized to balance depreciation, to make unforeseen major repairs and replacements of the Public Water System and to pay the costs of constructing additions, extensions, betterments and improvements to the Public Water System which will either increase income and revenues or provide a higher degree of service. There shall be deposited or transferred to the Improvement, Repair and Replacement Fund any moneys required to be deposited or transferred thereto by the provisions of Section 504 hereof.

(2) In addition, there shall be transferred to and deposited in the Improvement, Repair and Replacement Fund any other moneys:

(a) received by the District from any other source and duly determined and ordered by the District to be deposited therein, unless required to be otherwise applied as provided by this General Bond Resolution,

(b) for which the District has exercised a discretion to so deposit or transfer as permitted by this Resolution, and

(c) ordered to be so deposited from the proceeds of any Series of Bonds, pursuant to a duly adopted Series Resolution.

(3) In addition, amounts in the Improvement, Repair and Replacement Fund may be expended and applied upon written direction of an Authorized Officer from time to time only:

(a) for making up any deficiency existing at any time in the minimum amounts required to be on hand in the Debt Service Fund and the Debt Service Reserve as provided by this Resolution,

(b) for the redemption of Bonds, in whole or in part, as provided in Article VI of this Resolution,

(c) for the payment of Principal Installments of and interest on Bonds when due, without limitation,

(d) for transfer and deposit to the Water Revenue Fund, or

(e) for investment in Investment Obligations which shall be a part of the Improvement, Repair and Replacement Fund.

(4) Any Investment Obligation credited to the Improvement, Repair and Replacement Fund may be sold at any time by the District, upon written direction by an Authorized Officer in order to provide moneys for any of the purposes described in subsection (3) hereof.

(5) To the extent that other moneys will not be available for the payment of Principal Installments of and interest on Bonds when due, any Investment Obligation credited to the Improvement, Repair and Replacement Fund shall be sold by the District, upon written direction by an Authorized Officer and the proceeds of such sales shall be deposited in the Debt Service Fund.

(6) The depository shall from time to time pay out or permit the withdrawal of moneys from the Improvement, Repair and Replacement Fund for the purpose of making payments

pursuant to subsection (3) hereof upon receipt by said depository of a check or bill of exchange executed by two members of the Board of Commissioners of the District stating the following with respect to each payment to be made:

- (a) the Fund from which the payment is to be made,
- (b) the name of the person or party to whom the payment is to be made, and
- (c) the amount to be paid.

509. Surplus Fund. (1) The Surplus Fund shall be maintained by the District in the appropriate depository so long as any of the Bonds authorized or permitted to be issued by this General Bond Resolution remain outstanding; and all moneys deposited in the Surplus Fund may be used as follows: (a) to the extent necessary from time to time monies in the Surplus Fund shall be transferred to the Debt Service Fund to permit payment of all obligations payable from such Fund without drawing on the Debt Service Reserve; (b) monies in the Surplus Fund shall be used for payment of principal of and interest on any outstanding bonds and notes issued by the District to pay for costs of improving or extending the Public Water System or may be transferred to the appropriate Fund or Account created herein or in any Series Resolution adopted pursuant to this General Bond Resolution to permit such payment; and (c) monies in the Surplus Fund otherwise may be used for any other lawful purpose of the District.

(2) Sums from time to time in the Surplus Fund shall be continuously invested upon direction of the District, in Investment Obligations. The District shall sell at the best price obtainable, or present for, redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to effectuate the purposes of the Surplus Fund.

(3) Any interest earned or sums realized as a result of investment of monies in the Surplus Fund in Investment Obligations shall accrue to, and be a part of, said Surplus Fund.

510. Investment of Funds. Except as otherwise provided for in this General Bond Resolution:

- (a) Investment Obligations purchased as an investment of moneys in any Fund or Account held by the District or the depository under the provisions of this General Bond Resolution shall be deemed at all times to be a part of such Fund or Account and the

income or interest earned, gains realized or losses suffered by a Fund or Account due to the investment thereof shall be retained in, credited or charged thereto as the case may be, subject, in the case of the Debt Service Reserve, to the provisions of Section 506(5) hereof; provided that escrow agreements may provide otherwise.

(b) In computing the amount in all Funds, including the Accounts thereof, Investment Obligations purchased as an investment of moneys therein, shall be valued at the lesser of cost or fair market value. Valuation as of any date of computation shall include the amount of interest or gain realized to such date.

(c) The District shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligation purchased by it as an investment pursuant to this General Bond Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. The depository shall advise the District in writing, on or before the twentieth day of each calendar month, of the details of all Investment Obligations held for the credit of each Fund or Account in its custody under the provisions of this General Bond Resolution as of the end of the preceding month. The despository shall review and advise the District annually on the nature and value of investments in each Fund or Account. In the event that Investment Obligations in the Debt Service Reserve fall below the level required by this General Bond Resolution, the depository shall notify the District and the District shall cure such deficiency as provided in Section 506(2) hereof.

## ARTICLE VI

### REDEMPTION OF BONDS

601. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Series Resolution shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such terms as may be specified in the Series Resolution authorizing such Series.

602. Redemption at the Election or Direction of the District. In the case of any redemption of Bonds otherwise than as provided in Section 603, the District shall give written notice to the depository of the Debt Service Fund and the applicable Paying Agents of its election so to redeem, of

the Redemption Date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by the District in its sole discretion, subject to any limitations with respect thereto contained in this Resolution and any Series Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least 45 days prior to the Redemption Date or such shorter period as shall be acceptable to the depository of the Debt Service Fund and the applicable Paying Agents. In the event notice of redemption shall have been given as in Section 605 provided, the depository of the Debt Service Fund shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any available therefore held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof, all of the Bonds to be redeemed.

603. Selection of Bonds to be Redeemed by Lot. In the event of redemption of less than all the Outstanding Bonds of like Series and maturity, the District, or Registrar as directed by the District, shall assign to each such Outstanding Bond a distinctive number for each \$5,000 of the principal amount of such Bond and shall select by lot, using such method of selection as it shall deem proper in its discretion, as many numbers as, at \$5,000 for each number shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. For the purpose of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

604. Notice of Redemption. The District or Paying Agent as directed by the District, shall give notice in the name of the District of the redemption of Bonds determined to be redeemed, which notice shall specify the Series and maturities of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such Date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in

part only, together with interest accrued to the Redemption Date, and that from and after such Redemption Date interest thereon shall cease to accrue and be payable. The District shall mail a copy of such notice, postage prepaid, registered mail, not less than thirty (30) days before the Redemption Date to the Holders of any Bonds or portions of Bonds which are to be redeemed, at their addresses appearing upon the registry books.

605. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 604, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with an assignment duly executed by the Holder or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the Redemption Date. If there shall be drawn for redemption less than all of a Bond, the District shall execute and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the applicable Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

## ARTICLE VII

### PARTICULAR COVENANTS OF THE DISTRICT

701. Effect of Covenants. The District hereby particularly covenants and agrees with the Holders of the Bonds, and makes provisions which shall be a part of the contract with such Holders, to the effect and with the purposes set forth in the following Sections of this Article.

702. Payment of Bonds. The District shall duly and punctually pay or cause to be paid from the moneys and assets herein pledged, the principal of or Redemption Price, if any,

of every Bond and the interest thereon, at the date and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds, but solely from the moneys pledged pursuant to this Resolution.

703. Offices For Servicing Bonds. The District shall at all times maintain or cause to be maintained an office or agency where notices, presentations and demands upon the District in respect of the Bonds or of this Resolution may be served. The District hereby designates the Registrars' principal offices as the offices for the registration, transfer or exchange of Bonds. The District hereby appoints the Paying Agents and Registrars as its respective agents to maintain such offices or agencies for the payment of Bonds, as may be stipulated in any Series Resolution.

704. Further Assurance. At any time and all times the District shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the District may hereafter become bound to pledge or assign.

705. Powers as to Bonds and Pledge. The District is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the Resolution and to pledge the income, revenues and assets pledged by the Resolution in the manner and to the extent provided in the Resolution. The income, revenues and assets so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all official action on the part of the District to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the District in accordance with their terms and the terms of the Resolution. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the income, revenues and assets pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

706. Tax Covenant. In the event the District issues Bonds which are intended to be excludable from gross income for federal income tax purposes, the District shall at all times do and perform all acts and things permitted by law and necessary

or desirable in order to assure such exclusion. Further covenants of the District regarding federal tax requirements shall, if applicable, be set forth in the applicable Series Resolution.

707. Accounts and Reports. The District shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Public Water System, and all Funds and Accounts established by this Resolution, which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than five percentum (5%) in principal amount of bonds then Outstanding or their representatives duly authorized in writing.

708. General Compliance With All Duties. The District shall faithfully and punctually perform all duties with reference to said Public Water System required by the Constitution and laws of the Commonwealth of Kentucky, Chapter 74 and Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes, and by the terms and provisions of the Resolution.

709. Operation and Maintenance; No Free Service. The District shall at all times lawfully maintain and operate said Public Water System and all extensions thereto on a revenue-producing basis, and will provide no free water services to any person. From and after the issuance of any Bonds, the District will not initiate and commence service to any person without charging in full for services rendered in accordance with its prescribed and current schedule of rates, rentals and charges. The District shall further maintain the said Public Water System in good condition through application of Pledged Receipts accumulated and set aside for operation and maintenance, as provided in the Resolution; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of Pledged Receipts accumulated and set aside for such purposes.

710. Public Water System Not to Be Disposed Of. The District covenants and agrees that, so long as any Bonds are Outstanding, it will not sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the Public Water System or any part thereof (except that the District may retire obsolete and worn out facilities, and sell same, if appropriate), depositing the sale price to the funds maintained by the District for replacements and extension of the Public Water System; and, except as provided for in the Resolution, it will not create or permit to be created any charge or lien on the Pledged Receipts ranking equal or prior to charge, or lien of the Bonds.

711. Rates and Charges; Coverage; Annual Budget. The District shall at all times establish, enforce and collect rates, rentals, and charges for services rendered and facilities afforded by said District works and facilities constituting the Public Water System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the Public Water System, the costs of operating the same and maintaining the same in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all Outstanding Bonds and the accruing interest thereon, and the accumulation and maintenance of reserves as provided in the Resolution; and such rates and charges shall be adequate to meet all such requirements as provided in the Resolution, and shall, if necessary, be adjusted from time to time in order to comply therewith (subject to such regulatory approvals as may be required by law); and annual revenue from such rates, rentals and charges shall be further adequate to provide, after fulfillment of all contractual obligations required of the District incident to the Bonds, including accumulation and maintenance of all reserves required by the Resolution, and after payment of Operation and Maintenance Costs as provided in the Annual Budget of the Public Water System 1.25 times coverage of annual principal, interest, and Sinking Fund requirements on all Bonds, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the first day of each fiscal year, so long as any Bonds authorized or permitted to be issued by the Resolution are outstanding, the District will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will promptly file a copy of each such Budget, and of any amendments thereto, in the Office of the Secretary of the District, and will furnish copies thereof to any holder of any Bond upon request. The term "Current Expenses" as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the Public Water System, allowances for depreciation on all plant facilities, but shall exclude expenditures for extensions, improvements and extraordinary repairs and maintenance, and payments into the Debt Service Fund, and the Debt Service Reserve. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the total amount provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Board determining that such expenses are necessary in order to operate and maintain the Public Water System. At the same time, and in like manner, the District agrees that it will prepare an estimate of gross income and revenue to be derived from

operation of the Public Water System for such calendar year, and to the extent that said gross income and revenues are insufficient to meet all requirements as provided in this Resolution, the District covenants and agrees that it will immediately (subject to regulatory approvals as required by law) revise its rates, rentals and charges for services rendered by the District's works and facilities, so that the same will be adequate to meet all of such requirements.

712. No Decrease in Rates, Rentals and Charges. The District shall not at any time make any reduction in any prevailing schedule of rates, rentals and charges for use of the services and facilities of the District without first obtaining the written determination of a Consulting Engineer of National Recognition in the Field of Water Engineering to the effect that the proposed reduction will not adversely affect the ability of the District to meet all the requirements and covenants set forth in this General Bond Resolution. Notwithstanding the foregoing, the District shall make any reductions required by the Public Service Commission.

713. Segregation of Funds. The District shall at all times account for the income and revenues of the Public Water System and distinguish same from all other revenues, moneys and funds of the District, if any, and will promptly and regularly make application and distribution thereof into the special funds identified in and created by the Resolution, in the manner and with due regard for the priorities herein attributed thereto.

714. Annual Audit Required. The District shall, within sixty (60) days after the end of each calendar year, cause an audit to be made of the books of record and account pertinent to the Public Water System, and a report on such audit to be issued by an independent certified public accountant, reflecting in reasonable detail the financial condition and results of operations of the Public Water System, including the status of the required insurance and fidelity bonding, as provided by this General Bond Resolution, the current rates, rentals and charges of the District and coverage ratios as set forth in Section 711 hereof, with comments of the certified public accountant concerning compliance with all provisions and requirements of this General Bond Resolution, such audit to be in accordance with generally accepted governmental accounting principles, and will promptly cause a copy of the audit report of said certified public accountant to be submitted to the Board for review, and when received and approved by the Board, to be filed in the Office of the Secretary of the District, where it will be available for public inspection, and will promptly mail a copy thereof to the original purchaser or purchasers of any Series of Bonds issued pursuant to this General Bond Resolution and to any rating

agency then rating any Bonds. If requested to do so, the District will furnish to any Bondholder a condensed form of the balance sheet, and a condensed form of the operating report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the Public Water System, and may be paid for Water Revenues allocated for such purposes, as herein provided.

715. Fidelity Bonding of Personnel. The District shall cause each officer or other person (other than depository banks) having custody of any moneys administered under the provisions of the Resolution to be bonded at all times in an amount at least equal to \$25,000; each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Board, and the premiums for such surety shall constitute a proper expense of operating the Public Water System.

716. Insurance of Facilities. The District covenants and agrees that so long as any Bonds are outstanding, it will keep all buildings and all machinery and equipment therein constituting a part of the Public Water System and, to the extent possible, all other facilities of the Public Water System which are insurable, insured against loss or damage by fire, lightning, windstorm, vandalism and malicious mischief, together with coverage against the perils normally and regularly insured against in standard "extended coverage" protection, under a policy or policies of a responsible insurance company or companies authorized and qualified under the laws of Kentucky to assume such risks. Coverage of such insurance shall be for not less than ninety percentum (90%) of the insurable value, or the total principal amount of Bonds outstanding, whichever sum is the lesser, subject to the deduction from such loss or damage (except in the case of a total loss) of not more than such deductibles which are customarily maintained by utility districts which are similar to the District.

717. Liability Coverage Required. The District shall carry public liability, vehicular insurance, and property damage insurance covering such risks and for such amounts as the Board determines from time to time to be necessary or advisable by reason of the character and extent of operations of the District. However, at a minimum, the District shall carry such insurance insuring the District against losses occasioned by bodily injury and in respect of property damage in amounts which are customarily maintained by utility districts which are similar to the District. If obtainable, the District may (but need not) carry loss of use and occupancy insurance, and war risk insurance. The proceeds of any and all such insurance, other than public liability and property

damage, are hereby pledged as security for the Bonds issued pursuant to the Resolution until such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, by repairing or replacing the property damaged or destroyed.

718. Public Water System Improvements To Be Expeditiously Completed. When any Series of Bonds are issued, the District shall cause the work thereby to be acquired to be constructed and installed as rapidly and expeditiously as good business practice dictates, and will use and employ its best efforts to prevent delay in the prompt fulfillment of any such work.

719. Personnel and Servicing of Program. (1) The District shall at all times appoint, retain and employ personnel for the purposes of administering and managing the Public Water System and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by the District shall be qualified for their respective positions.

(2) The District may pay to any state agency, municipality, political subdivision or governmental instrumentality of the state from the Operation and Maintenance Fund such amounts as are necessary to reimburse such state agency, municipality, political subdivision or governmental instrumentality of the state for the reasonable costs of any services performed for and on behalf of the District, if any.

(3) The District shall in a timely manner file all reports, including quarterly reports, with the Public Service Commission of Kentucky as may, from time to time be required by law, and shall prepare and file such other reports and documents as shall in the future be required by law, including administrative regulations promulgated by any agency of the federal government or the Commonwealth of Kentucky having jurisdiction.

720. Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by the Resolution or a Series Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds, shall exist, shall have happened and shall have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of the District, shall be within every debt and other limit prescribed by law.

721. General. The District shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the District under the provisions of the Act and the Resolution in accordance with the terms of such provisions.

722. Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution or in any Series Resolution or Supplemental Resolution or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District.

723. Termination of Water Services to Delinquent Users. The District covenants and agrees that it shall, pursuant to the provisions of KRS 74.367 and any other applicable provisions of law, to the maximum extent authorized by law enforce and collect the schedule of rates, rentals and charges imposed upon users of the District's works and facilities constituting the Public Water System, and will promptly cause water service to be discontinued to any premises where such District bill for such facilities and services shall not be paid in full.

724. Extension of Payment of Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest, or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the Resolution to the benefit of the General Bond Resolution or to any payment out of any assets of the District or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the General Bond Resolution) held by any Fiduciary except subject to the prior payment of the principal of all Bonds issued and Outstanding, the maturity of which has occurred and has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the District to issue bonds as provided in this General Bond Resolution, and such issuance shall not be deemed to constitute an extension of the maturity of any Bond or of the time of payment of any claim for interest.

725. Statutory Mortgage Lien. For the further protection of the holders of the Bonds authorized to be issued by this General Bond Resolution, a statutory mortgage lien upon

all properties of the District and extensions thereof and belonging thereto, including the Public Water System, is granted and created by Chapter 74 and Section 96.400 of the Kentucky Revised Statutes, which said mortgage lien is hereby recognized and declared to be valid and binding upon the District and all its property as provided by law, and shall take effect immediately upon the delivery of any Bonds authorized to be issued under the provisions of this General Bond Resolution.

726. Effect of Defeasance. From and after the defeasance of the Outstanding Bonds, the 1992 General Bond Resolution shall not govern the issuance of Bonds of the District.

## ARTICLE VIII

### SERIES RESOLUTION AND SUPPLEMENTAL RESOLUTIONS

801. Modification and Amendment Without Consent. Notwithstanding any other provision of this Article VIII, or Article IX, the District may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing thereof in the District's official records, certified by an Authorized Officer:

(1) To add additional covenants and agreements of the District for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the District contained in this General Bond Resolution;

(2) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the District which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(3) To surrender any right, power or privilege reserved to or conferred upon the District by the terms of this General Bond Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the District contained in this General Bond Resolution;

(4) To confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of this General Bond Resolution;

(5) To modify any of the provisions of this General Bond Resolution or any Series Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of execution and delivery of such Supplemental Resolution shall cease to be Outstanding, and all Bonds issued under such Series Resolutions shall contain a specific reference to the modifications contained in such subsequent Series Resolutions;

(6) To cure any ambiguity or defect or inconsistent provision in this General Bond Resolution or to insert such provisions clarifying matters or questions arising under this General Bond Resolution or any Series Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with this General Bond Resolution or any Series Resolution as theretofore in effect; or

(7) For any other purpose provided that any such amendment or modification does not materially adversely affect the rights of Bondholders affected hereby.

A Supplemental Resolution for the purposes described in this Section shall be effective upon the execution thereof by the District.

802. Supplemental Resolutions Effective With Consent of Bondholders. The provisions of this General Bond Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders, in accordance with and subject to the provisions of Article IX hereof, such Supplemental Resolution to become effective upon the obtaining of consent of the requisite percentages of Bondholders and the filing in the District's official records of a copy thereof certified by an Authorized Officer.

803. General Provisions Relating to Series Resolutions and Supplemental Resolutions. This General Bond Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of this Article VIII and Article IX. Nothing contained in this Article VIII or Article IX shall affect or limit the rights or obligations of the District to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of the District to execute and deliver to any Fiduciary any instrument elsewhere in this General Bond Resolution provided or permitted to be delivered to any such Fiduciary.

A copy of every Series Resolution and Supplemental Resolution adopted by the District when filed with the District's official records shall be accompanied by a Counsel's

Opinion stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this General Bond Resolution and is valid and binding upon the District and enforceable in accordance with its terms.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of any Fiduciary may be adopted by the District without the written consent of the Fiduciary affected thereby.

## ARTICLE IX

### GENERAL BOND RESOLUTION - FURTHER PROVISIONS

901. Modification or Amendment. Any modification or amendment of this General Bond Resolution and of the rights and obligation of the District and of the Holders of the Bonds hereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in Section 902, (1) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given (2) in cases where less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (3) in case the modification or amendment changes the amount or date of any Sinking Fund Installment of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; and provided, further, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be

affected by a modification or amendment of this General Bond Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The District may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series or maturity would be adversely affected by any modification or amendment of this General Bond Resolution and any such determination shall be binding and conclusive on the District and all Holders of Bonds. The District may receive an opinion of Counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of this General Bond Resolution.

902. Consent of Bondholders. The District may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 901 to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto) together with a request to Bondholders for their consent thereto, shall promptly after adoption be mailed by the District to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (1) there shall have been filed with the District (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in Section 901 and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the District in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon the District and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange thereof (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the District, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1202. The fact that a consent has not been revoked may likewise be proved by a certificate of the District to the effect that no revocation thereof is on file with the District. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the District shall make and

file (a) in the official records of the District, accompanied by a Counsel's Opinion, as to the quality thereof, and (b) with each Fiduciary a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the District on a stated date) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to Bondholders by the District by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided) not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statements of the Trustee hereinabove provided for are filed. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the District, each Fiduciary and the Holders of all Bonds, at the expiration of thirty (30) days after the filing with each Fiduciary of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the District during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

903. Mailing. Any provision in this Article for the mailing of a notice or other document to Bondholders shall be fully complied with if it is mailed postage prepaid to each Holder of Bonds then Outstanding at his address appearing upon the registry books of the Registrar.

904. Modifications by Unanimous Action. Notwithstanding anything contained in Article VIII or in the foregoing provisions of this Article IX, the rights and obligations of the District and of the Holders of the Bonds and the terms and provisions of the Bonds or of this Resolution may be modified or amended in any respect upon the adoption of a Supplemental Resolution by the District and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 902 except that no notice to Bondholders by mailing shall be required; provided, however, that no such modification or amendment shall change or modify

any of the rights or obligations of any Fiduciary without its written assent thereto in addition to the consent of the District and of the Bondholders.

905. Exclusion of Bonds. Bonds owned or held by or for the account of the District shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Resolution, and the District shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Resolution.

906. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article VIII or this Article IX provided may bear a notation by endorsement or otherwise in form approved by the District as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and upon presentation of his Bond for such purpose at the principal office of any Paying Agent, suitable notation shall be made on such Bond by such Paying Agent as to any such action. If the District shall so determine, new Bonds so modified as in the opinion of the District to conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

907. Contracts or Indentures. The District, in so far as authorized by law, may and if requested by any Fiduciary shall, enter into a contract or an indenture with any Fiduciary giving effect to any modification or amendment of the Bonds or of the Resolution as hereinabove in this Article IX provided.

908. Merger with Public Sewer System. Without obtaining the consent of Bondholders, the District may determine to operate the Public Water System as a combined system with its sanitary sewer system. In such event, such sanitary sewer system shall become a part of the Public Water System subject to the provisions, covenants and agreements set forth in this General Bond Resolution and this General Bond Resolution shall be amended to reflect the merger of said systems, including, but not limited to, provisions relating to deposit of revenues, pledges of revenues, the description of the Public Water System and other modifications that are consistent with the intent of this Section; provided that no such merger or amendment of this General Bond Resolution shall be permitted unless a firm of independent certified public accountants has determined that after such merger the District will be in continuing compliance with the provisions of Section 711 and, if Bonds are proposed to be issued simultaneously with such merger, the requirements of Section 513 shall be applicable to such bonds.

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ARTICLE X

DEFAULTS AND REMEDIES

1001. Events of Defaults. Each of the following events is hereby declared as "Event of Default," that is to say if:

(1) the District shall default in the payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(2) payment of any installment of interest on any of the Bonds shall not be made when and as the same shall become due; or

(3) the District shall fail or refuse to comply with the provisions of the Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in this Resolution, any Series Resolution, any Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Holders of not less than five percentum (5%) in principal amount of the Outstanding Bonds.

1002. Remedies. (1) Upon the happening and continuance of any Event of Default, the Holders of not less than twenty-five percentum (25%) in principal amount of the Outstanding Bonds, may proceed, in their own name, subject to the provisions of this Section 1002, to protect and enforce the rights of the Bondholders by such of the following remedies, as such Bondholders, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including (subject to regulatory requirements) the right to require the District to adopt, enforce, collect and receive water rates, rentals and charges adequate to carry out the covenants and agreements of the District in respect of production of minimum Water Revenues and to require the District to carry out any and all other covenants or agreements with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, require the District to account as if it were the trustee of an express trust for the Holders of the Bonds;

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds;

(e) by action or suit in equity, seek the appointment of a receiver who shall take charge of and administer the affairs of the District;

(f) by declaring all Bonds due and payable, and if all defaults shall be made good (excepting that in respect of acceleration of maturities), then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(g) in the event that all Bonds are declared due and payable and a receiver is appointed, by selling Investment Obligations and all other assets of the District (to the extent not theretofore set aside for redemption of Bonds for which call has been made), and by the taking over by the receiver of the Public Water System, and operating same as an adequate revenue-generating operation to the fullest legal extent in the name of the District for the use and benefit of the Holders of Bonds;

(2) In the enforcement of any rights and remedies under this Resolution, the Bondholders shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the District for principal, Redemption Price, interest or otherwise, under any provision of this Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Bondholders, and to recover and enforce a judgment or decree against the District for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purposes, in any manner provided by law, the moneys adjudged or decreed to be payable.

1003. Priority of Payments After Default. In the event that upon the happening and continuance of any Event of Default, the funds held by the Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the District acting pursuant to the Act and this Article X, after making provision for the payment of any expenses

necessary in the opinion of the District to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by any Registrar and any Paying Agents in the performance of their respective duties under this Resolution, shall be applied, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by a call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, and such declaration shall not have been annulled, then, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the District pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purposes, shall constitute proper application, and the representative Bondholders or receiver shall incur no liability whatsoever, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the

representative Bondholders or receivers act with reasonable diligence, having due regard for the circumstances, and ultimately apply the same in accordance with such provisions of this Resolution as may be applicable at the time of application. Wherever the representative Bondholders or the receiver shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the representative Bondholders or the receiver shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The representative Bondholders or the receiver shall give such notice as it may deem appropriate for the fixing of any such date. The representative Bondholders or the receiver shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the appropriate Paying Agent for appropriate endorsement or for cancellation if fully paid.

1004. Termination of Proceedings. In case any proceedings taken on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the District and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Bondholders shall continue as though no such proceeding had been taken.

1005. Bondholders' Direction of Proceedings. Anything in this Resolution to the contrary notwithstanding, the Holders of the majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the District, to direct the method of conducting all remedial proceedings to be taken hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution.

1006. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

1007. No Waiver of Default. No delay or omission of the Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this General Bond Resolution to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

1008. Notice of Event of Default. The District shall cause the appropriate Registrar to give to the Bondholders notice of each Event of Default hereunder known to the District within sixty (60) days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of Event of Default shall be given by mailing written notice thereof: (1) to all Holders of Bonds, as the name and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Registrar and (2) to such other persons as is required by law.

## ARTICLE XI

### CONCERNING THE FIDUCIARIES

1101. Appointment and Acceptance of Duties of Paying Agents and Registrars. The District may appoint one or more Paying Agents and one or more Registrars (who may be a Paying Agent) for the Bonds of any Series in the Series Resolution authorizing such Bonds or may appoint such Paying Agent or Paying Agents and such Registrar or Registrars by resolution of the District adopted prior to the authentication and delivery of such Bonds, and may at any time or from time to time appoint one or more other Paying Agents or one or more other Registrars in the manner and subject to the conditions set forth in Section 1107 for the appointment of a Successor Paying Agent or Registrar.

Each Paying Agent or Registrar shall signify its acceptance of the duties and obligations imposed upon it by this General Bond Resolution by written instrument of acceptance executed and delivered to the District.

The principal offices of the Paying Agents are hereby designated as the respective agencies of the District for the payment of the interest on and principal or Redemption Price of the Bonds.

The District shall enter into an agreement for paying agent and for registrar for each issue of Series Bonds.

1102. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the District and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this General Bond Resolution or of any Bonds issued thereunder or in respect of the security afforded by this General Bond Resolution, and no Fiduciary shall incur any responsibility in respect thereof. Each Registrar shall, however, be responsible

for its representation contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the District. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the other Fiduciaries.

1103. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the District, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this General Bond Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidences as to it may seem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the District to any Fiduciary shall be sufficiently executed if executed in the name of the District by an Authorized Officer.

1104. Compensation. The District shall pay to each Paying Agent, Registrar and other Fiduciary from time to time reasonable compensation for all services rendered under this General Bond Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this General

Bond Resolution. The District further agrees to indemnify each Paying Agent, Registrar and other Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

1105. Permitted Acts and Functions. Each Paying Agent, Registrar and any other Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not such Paying Agent, Registrar or other Fiduciary. Each Paying Agent, Registrar and any other Fiduciary may act as Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this General Bond Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

1106. Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all of substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 1110 or Section 1113 and shall be authorized by law to perform all the duties imposed upon it by this General Bond Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

1107. Resignation or Removal of the Paying Agents, Registrars and other Fiduciaries and Appointment of Successors. Any Paying Agent, Registrar or other Fiduciary may at any time resign and be discharged of the duties and obligations created by this General Bond Resolution by giving at least sixty (60) days' written notice to the District. Any Paying Agent, Registrar or other Fiduciary may be removed at any time by an instrument filed with such Paying Agent, Registrar or other Fiduciary and signed by an Authorized Officer of the District. Any successor Paying Agent, Registrar or other Fiduciary shall be appointed by the District and (subject to the requirements of Section 703) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least Twenty-Five Million Dollars (\$25,000,000), and willing and able to accept the office of Paying Agent or Registrar on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this General Bond Resolution.

In the event of the resignation or removal of any Paying Agent, Registrar or other Fiduciary, such Paying Agent, Registrar or other Fiduciary shall pay over, assign and deliver any moneys held by it to its successor, if there be no successor then appointed, to the District until such successor be appointed.

## ARTICLE XII

### MISCELLANEOUS

1201. Defeasance. (1) If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds, all of the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this General Bond Resolution, then and in that event the General Bond Resolution shall cease, determine, and become null and void, and the covenants, agreements and other obligations of the District hereunder shall be satisfied and discharged, and in such event, the District shall execute and deliver all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the District all moneys or securities held by them pursuant to the General Bond Resolution which are not required for the payment or redemption of Bonds, not theretofore surrendered for such payment or redemption.

(2) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and which shall be held in trust by Fiduciaries (through deposit by the District of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (1) of this Section. All Outstanding Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (1) of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the District shall have given notice of redemption on said date of Redemption of such bonds as provided in Article VI or shall have provided for the giving of such notice at the appropriate time, and (b) there shall have been deposited with the Paying Agents either moneys in an amount which shall be sufficient, or Defeasance Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be. Neither Defeasance

Obligations nor moneys deposited with the Paying Agents pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purposes other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Paying Agent if not then needed for such purposes, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and shall be paid over to the District, following full discharge and payment of such Bonds free and clear of any trust, lien or pledge.

(3) If, through the deposit of moneys by the District or otherwise, the Fiduciaries shall hold, pursuant to this General Bond Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which the District shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and Interest to such Redemption Date, then at the request of the District all moneys held by and Paying Agent shall be paid over to the District, and together with other moneys held by it hereunder, shall be held by the District for the payment or redemption of Outstanding Bonds.

(4) Anything in this General Bond Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, at the written request of the District, be repaid by the Fiduciary to the District, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged; provided, however, that before being required to make any such payment to the District, the Fiduciary shall, at the expense of the District, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in the Authorized Newspapers notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than ten (10) nor more than twenty (20) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the District.

1202. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent or other instrument which this General Bond Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their authorized attorneys: Proof of (1) the execution of any such instruments, or of an instrument appointing any such attorney, or (2) the holding by any person of the Bonds, shall be sufficient for any purpose of the General Bond Resolution (except as otherwise expressly provided) if made in the following manner, but the District may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the District or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the District or any Fiduciary in accordance therewith.

1203. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this General Bond Resolution or any supplemental General Bond Resolution or Series Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the District, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

1204. Parties in Interest. Nothing in this General Bond Resolution or in any Series Resolution adopted pursuant to the provisions hereof, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or party other than the District, Paying Agents, Registrars and the Holders of the Bonds any rights, remedies or claims under or by reason of this General Bond Resolution or any Series

Resolution or any covenants, conditions or stipulations thereof; and all covenants, stipulations, promises and agreements in this General Bond Resolution and any Series Resolution contained by or on behalf of the District shall be for the sole and exclusive benefit of the District, Paying Agents, Registrars and the Holders from time to time of the Bonds.

1205. No Recourse Under General Bond Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of the District contained in this General Bond Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the District and not of any member, officer, director or employee of the District in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this General Bond Resolution against any member, officer, director or employee of the District or any natural person executing the Bonds.

1206. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this General Bond Resolution on the part of the District or any Paying Agent or any Registrar to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this General Bond Resolution.

1207. Headings. Any headings preceding the texts of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this General Bond Resolution, nor shall they affect its meaning, construction or effect.

1208. Conflict. All General Bond Resolutions and resolutions or parts of General Bond Resolutions and resolutions, or other proceedings of the District in conflict herewith be and the same are repealed insofar as such conflict exists.

1209. Effective Date. This General Bond Resolution shall take effect upon its adoption, as provided by law, but only for purposes of authorizing the issuance of notes under the provisions of Section 314, it being understood that such notes shall be payable from the proceeds of the Series of Bonds

related thereto and shall be secured by Water Revenues subject to a prior pledge of such revenues to secure the Outstanding Bonds, and that the pledges and covenants set forth in this General Bond Resolution shall take effect only on the day of defeasance of the Outstanding Bonds.

ADOPTED: October 13, 1992

BOONE COUNTY WATER AND SEWER  
DISTRICT, Boone County,  
Kentucky

By Burt Shehan  
Chairman

(SEAL)

ATTESTED:

Robert E. Bell  
Secretary

CERTIFICATION

I, the undersigned, the duly appointed and qualified Secretary of Boone County Water and Sewer District, Boone County, Kentucky, do hereby certify that the foregoing Resolution is a true, accurate and complete copy of a certain Resolution duly adopted by the Board of Commissioners of said District at a duly and properly convened meeting of said Board of Commissioners held on October 13, 1992, on the same occasion signed in open session by the Chairman attested under seal by me as Secretary, and declared to be in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said District this 27th day of OCTOBER, 1992.

(SEAL)



Secretary  
Boone County Water and  
Sewer District, Boone County  
Kentucky